

# Maclean's

LIBERALS  
ENTER THE  
LEADERSHIP STAKES

## FALL OF A TYCOON

The Anatomy Of  
Robert Campeau's  
U.S. Downfall



# Fun



# Functional



The new seven-passenger Lumina APV's are ready for any occasion, exclusively at participating Tilden stations. Our form fitting your function is part of being in the pleasing business.



• Reservation Call Tilden. See reservations anywhere in Canada and worldwide through our international affiliates.  
• Long term leasing. Tilden leases cars and trucks for one year or more in participating markets.  
• Click and truck. Tilden makes money makes and models, and delivers vehicles by General Motors.



# Maclean's

CANADA'S WEEKLY NEWSMAGAZINE JUNE 27 1992 \$1.30 NO. 2

## CONTENTS

- 2 EDITORIAL
- 6 LETTERS/PASSAGES
- 12 OPENING NOTES

A Liberal event clashes with the Super Bowl, a foreign reporter reveals a linguistic blind spot, the 11th shocks a sculpture in secrecy, Pretoria lifts its ban on Jesse Jackson, Dennis O'Sullivan's inside track, the actor busts a computer virus in Ottawa, Carla Maly may be heading for the bench, the nation's schools are still reaching for the top.

## 15 COLUMN/DIANE FRANCIS

## 16 CANADA

Premier William Vander Zalm defies his critics, the government says that it is too early to rule the PTA.

## 26 WORLD

Angry East Germans steer secret police headquarters, Washington's Mayor Marion Barry is arrested on drug charges.

## 32 BUSINESS

Pulp and paper companies cause the cost of new environmental rules.

## 47 BUSINESS WATCH/PETER C. NEWMAN

## 56 JUSTICE

The courier in the Victor Davis case with draws and controversy.

## 56 HEALTH

A new study questions the claims made for oat bran.

## 57 OUTDOORS

Poor weather conditions disrupt the European ski season.

## 58 SPORTS WATCH/TRENT FRAYNE

## 63 PEOPLE

## 64 TELEVISION

People movers make their debut in Canadian homes.

## 66 THEATRE

Ann Marie MacDonald reviews the Bard audaciously; John MacLean dresses up an eloquent indictment of tyranny.

## 67 BOOKS

Novelist Umberto Eco looks humorously at humanity's quest for the meaning of life, but reaches a bleak conclusion.

## 68 FOTHERINGHAM



## COVER

## FALL OF A TYCOON

The collapse of mercenary Canadian financier Robert Campeau's vast retail empire last week sent afternoons rolling through stock markets and corporate boardrooms. Many observers said that Campeau's downfall, the largest retail bankruptcy in U.S. history, marks the end of an era of unrestrained greed that fuelled the dazzling takeover boom of the 1980s.

— 48

## CANADA

## THE RACE BEGINS

Hamilton MP Sheila Copps and Montreal MP Paul Martin Jr. set the Liberal leadership race in high gear last week as they kicked off their campaigns for John Turner's job. But for another Liberal hopeful, Lloyd Axworthy, the cost of campaigning proved too steep and he chose to sit it out.

— 18



## WORLD

## A SOVIET BLOOD FEUD

Soviet leader Mikhail Gorbachev, already beleaguered by a host of separatist and nationalist crises, declared a state of emergency and sent tens of thousands of troops to quell inter-ethnic violence in the southern republics of Abkhazia and Azerbaijan. Some reports say hundreds have been killed.

— 38



COVER PHOTO BY BRIAN CONNOR/MAGNIFICENT FIVE

Canadian publications and registration number 1001







Canadian Pacific Hotels & Resorts  
Ours is an exciting

# getaway

Canadian Pacific  Hotels & Resorts



Le Chateau Champlain

Just a sample of our quest to your retreat



Right here

The city around you burns with excitement. Finally, you've broken the routine. All your worries left behind, even if only for a few precious days.

Getaway to our city centre hotels. Treat yourself to the best of Canada's vibrant urban scene. Savour such locales as Toronto's dynamic L'Hotel or Halifax's Chateau Halifax. Relax in the distinctive charm of Montreal's Queen Elizabeth or the stunning Hotel Vancouver. Indulge yourself. Enjoy theatre, fine dining, spectacular shopping, or just take in the sights.

Take a break, and let our helpful and friendly staff take care of you. We're committed to exceeding your expectations in surroundings of distinction. Choose from dozens of unique city packages, from 2 days to 2 weeks. For information or reservations at any of our heritage or contemporary hotels and resorts, just call your Travel Agent or Canadian Pacific Hotels & Resorts, toll-free. In Canada, 1-800-268-9411. In the USA, 1-800-828-7447.

THE DORSET  
Victoria, B.C.

HOTEL VANCOUVER  
Vancouver, B.C.

CHATEAU WINDWARD RESORT  
Whistler, B.C.

ARTIST PAUL LOREN  
Jasper, Alberta

CHATEAU LAKE LOREN  
Lake Louise, Alberta

EAST BRIDGE  
Saskatoon, Alberta

THE LODGE AT  
Kananaskis  
HOTEL KANANASKIS  
Kananaskis Village, Alberta

THE PRINCE  
Calgary, Alberta

CHATEAU ANTOINET  
Calgary, Alberta

CHATEAU LACOMBE  
Edmonton, Alberta

EDMONTON TOWER  
Toronto, Ontario

C HOTEL  
Toronto, Ontario

BIRCHMOUNT HOTEL  
Toronto, Ontario

CHATEAU LAUREN  
Ottawa, Ontario

LE CHATEAU MONTREAL  
Montreal, Quebec

THE QUEEN ELIZABETH  
Montreal, Quebec

LE CHATEAU CHAMPLAIN  
Montreal, Quebec

LE CHATEAU FRONTENAC  
Quebec City, Quebec

THE ASSOCIATES  
St. Andrews, N.B.

HOTEL BRANTFORD  
Hamilton, N.E.

CHATEAU HALLMARK  
Halifax, Nova Scotia

THE PRINCE OF WELLS  
Charlottesville, P.A.

HOTEL NEWPORTSPRING  
St. John's, Nfld.



# OPENING NOTES

Keith Davey considers the Super Bowl convention, Jesse Jackson packs his bags, and Carla Hills could move up

## CONFLICT OF INTEREST

Last fall, federal liberal organizers decided to stage the first all-conditions' forum in the party's leadership race at the Metro Toronto Convention Centre on Jan. 28. But the officials overlooked the fact that the meeting was scheduled to end at 4:30 p.m., only one half-hour before the televised kickoff of the 34th Super Bowl contest, the National Football League's championship game. As a result, some prominent liberal football fans—including Senator Keith Davey and ex-Ontario cabinet minister—say that they might miss the Sunday meeting. Instead, they are considering staying home and watching live coverage of the political meeting on CBC TV's *Newsweek* channel before switching to the Super Browsers and the San Francisco 49ers. Still, the party's communications director brushed off all charges of poor scheduling. Said Andre Tessier: "San Francisco is favored by 10 points, and the game is a ferocious contest. This race will be more interesting." Stay tuned.

Davey: a choice of staying home or going to the meeting



DAVID J. PHILLIPS

## A newcomer to a familiar land

Mary Walsh resigned from *The Wall Street Journal* last October, leaving an impression that she calls "one of the most glamorous jobs in American journalism." Being the newspaper's principal correspondent for South and Southeast Asia. But Walsh said that she had quit because the *Journal* had delayed publication of her columns. That CBS TV network news had purchased—and broadcast—about 500 hours of the *Ally* news. As a result, added Walsh, the *New York Post* also uncovered that story—and printed it first. Walsh, who is now reporting on Canada for the Los Angeles Times from a base in Toronto, predicts that her new posting is likely to be less hectic than the Asian beat. Said Walsh:

While from Asia to a new assignment covering Canada



BOB FETTER/REUTERS

"It is so much easier to be in a place that has one language." The battle over the Munich Lake agreement also should clear that view.

## OFF-LIMITS TO TAXPAYERS

The CIA is paying *Jeune Sandness* \$143,000 to create an abstract work of art for its new headquarters building in Langley, B.C. But in the best cloak-and-dagger tradition, CIA officials refuse to allow public access to the courtyard that holds the iron-and-glass sculpture. The work also carries a plaque inscribed with a lengthy quotation from a spy novel—erotic. And, according to Sandness, only the CIA director William Webster and George Bush know the identity of that passage. Call it art that is out in the cold.

## In search of the right message

South Africa has revealed a two-year-old order barring Jesse Jackson, and the U.S. politician now plans to be in Cape Town in early February. At that time, South African President F. W. de Klerk is widely expected to free Nelson Mandela, the famed black activist who has spent the past 26 years in prison. And, according to officials in Washington, Jackson may serve as a bridge between Mandela and George Bush—who seeks to quicken reform in South Africa by talking to de Klerk in Washington. The payoff for Jackson? He would draw massive media coverage by delivering any Mandela endorsement of that activist.



Anworthy (left), Connamery: a new job, but a lack of cash kills a leadership bid

## ONLY ONE QUEST TO A FAMILY

Larry Anworthy announced last week that he would not enter the race for the leadership of the federal Liberal party—largely because he could not raise the money needed for such a bid. But as the interim leader of the party, Anworthy has a role to play in the Liberal government's new mandate to lead the party. Connamery and his wife embarked on a new position with a royal commission on the future of passenger transportation. Connamery's primary job will be to arrange hearings across Canada for a study directed by former Alberta treasurer Louis Hynes. She performed a similar

task between 1983 and 1988 for an influential royal commission, which urged that Canada should forge a free trade agreement with the United States. While some party members privately expressed their annoyance that the role of a prominent government critic had landed the job, Connamery and his wife had passed so many assignments to her. In any event, Connamery has ready access to a useful source of information on federal transportation policies in recent years. Anworthy held that portfolio six years ago.

## STANDING ON GUARD AGAINST A VIRUS

In Ottawa, the race is now battling to halt the spread of so-called computer viruses within federal data banks. Indeed, earlier news obtained by *Maclean's* warns civil servants that their electronic files are under attack by destructive, information-deleting commands bearing such coded names as *Disk Killer* and *Copra*. Declared the Dec. 12 memo: "The virus problem has infected Canadian government systems in a major way, with several departments being hit in the past week." But while the race held a Dec. 12 seminar to teach civil servants how to protect computer software, top civil servants refused to name government offices that have already been infected. Said Bass: "If I start pointing fingers at individual departments, they are going to be hesitant in reporting occurrences to me."

## Court speculation

U.S. Supreme Court Judge Thurgood Marshall is 81 years old and in fragile health. And if the court's



Marshall: a case of a switch

most prominent liberal reformer, many officials in Washington say that U.S. Trade Negotiator Carla Hills, a 58-year-old lawyer and graduate of Yale University, is most likely to succeed her. They add that Hills, a moderate conservative who watched over the Canada-U.S. Free Trade Agreement, has powerful qualifications: she is a personal friend of George Bush's.

## The spoils of victory

Tens of thousands of high-school students did little work on *Book for the Top* and *CBC* needed a 33-year-old candidate for the job in 1985. But Sandy Stewart, the show's former producer, has rebounded strongly by producing, selling, and promoting a new book, *Book for the Top's* annual *Compendium* to 11 TV networks. It's a hard-won victory, however, a team from *Top* Secondary School, near Cornwall, Ont., is still trying to win the *Book for the Top* trophy. That is because officials at Kate Anderson High School in Goldville, Alta., are reluctant to surrender a prize that their school team appeared to have won for posterity in 1985. A vague title-all match between the schools could be the answer. Lights, camera, action!

Stewart: new interest is a quiet show



BOB FETTER/REUTERS



# Death by water.

Silent and deadly, a killer stalks the children of the developing world. Disguised as a cover of filth, it holds within a single drop the potential of death. Children and adults trust it as an ally in their fight against the hardships of poverty—but it remains a silent enemy. Its name is water...and this year it will claim as its victims half the children in Subjorno's village.

Every drink of water they sip from the local stream and every jag of water their parents pour over them to bathe, carries in its cool refreshment the seeds of disease, and death. They cannot live without water. They may not live with it. And the saddest part of it all, is that the killer can be stopped—but not unless we reach out and help.

All it takes in your support — through Foster Parents Plan of Canada.

All it costs is less than one dollar a day. Your support makes it possible for us to stop the killer in its tracks. We work with children, families and their entire community, seeking resources to build wells and pumps, or rain water reservoirs. We teach nutrition and toilet habits and mothers in new income-producing skills. Healthier children learn more easily, and we assure that there are schools, supplies and uniforms where needed. And if sickness does strike, our programs make medical care accessible and affordable, when it comes too late.

You can make the difference. And you can share in your Foster Child's development and joys. Through letters, progress reports, newsletters and more, all part of the warm, caring relationship that can develop in the world of PLAN. Won't you help us save a child's life today? Complete the coupon below, and reach out to your own Foster Child now.



**CALL TOLL-FREE ANYTIME 1-(800)-268-7174**

Information will be sent immediately.

**PLAN** FOSTER PARENTS PLAN OF CANADA  
(an international human development agency)  
151 ST. CLAIR AVENUE WEST TORONTO CANADA M5V 1P6

I want to be a Foster Parent of a boy ☐ girl ☐ age \_\_\_\_\_  
country \_\_\_\_\_ or where the child is greatest:  
I enclose my first payment of \$27.00 Monthly ☐ \$25.00 Quarterly ☐  
I will become a Foster Parent right now. However, I enclose my contribution of \$ \_\_\_\_\_  
Please send me more information ☐ Tel. No. \_\_\_\_\_  
Address \_\_\_\_\_  
City \_\_\_\_\_ Prov. \_\_\_\_\_ Code \_\_\_\_\_  
I wish to communicate with PLAN to be in English ☐ French ☐

PLAN operates in Africa, Europe, Asia, Colombia, Caribbean, Pakistan, Ecuador, Egypt, El Salvador, Guatemala, Haiti, Honduras, India, Indonesia, Kenya, Liberia, Malawi, Nepal, Nicaragua, Philippines, Senegal, Sierra Leone, Sri Lanka, the Sudan, Thailand, Togo and Zimbabwe. All other countries represented are in Africa/Caribbean/Europe/Asia/India/Latin America. All countries require 10 to 18 months.

## COLUMN



# Myths about the Free Trade Agreement

BY DIANE FRANZIS

The rhetoric concerning the Free Trade Agreement with the United States continues with the same degree of emotionalism and intellectual dishonesty that characterized the debate during the 1988 federal election campaign. Opponents continue to strongly blame every single plant closure or layoff on the deal, while proponents insist equally water-tight claims. It is as incorrect to blame 75,000 layoffs solely on the deal as it is to claim that the creation of 250,000 new jobs in 1989 was solely a result of the deal. But the public is, again, misinformed when the deal is, again, equated to the loss of jobs. The point is that free trade was—and remains—a necessary step of both, and any direct-cause evaluation is impossible, given the complexity of our economy, buttressed by many other factors such as allegedly high interest rates and the concomitant high Canadian dollar.

The deal's impact can only be "analyzed" accordingly. That's why the representatives of Axaar Plan, the 30-year-old children's health trust chairman, founder and controlling shareholder of Urocan Security Systems Ltd. of Montreal are interesting. Urocan makes \$136 million a year north of the lake, key-making equipment and other minor products and is a solid example of free trade's effects. Since at North American workload of 1,725 is divided almost equally between Canada and the United States, it must monitor labor, tax and currency differences constantly. Fab says that his experiences reveal surprising variations between the two countries.

"I spoke at a support of free trade and still believe it is necessary," he says. "Canada's middle-class here is being destroyed not by free trade, but by high interest rates and taxes. We are going to be reduced ultimately to a service economy."

The United States, he adds, is no paradise, during (now) after. Fab says that the American can be becoming uncompetitive because of the ineptness of the population, which results in a accordingly high product liability insurance

*'People won't locate in Quebec because of language laws,' says Montrealer Aaron Fish. 'And our tax structure is terrible'*

premiums as well as excessive costs in providing health insurance for employees. "My product liability insurance premiums are \$222,600 a year, and I make loans and key loans for goodness' sake," he says.

In the past year, two women employees at Fab's North Carolina manufacturing plant had babies who required expensive medical attention: one needed breast surgery and the other was connected to a respirator for months and the child died. Thus, coupled with a general rise in insurance premiums last year, increased the cost of his insurance premiums by \$36,000 per month to a total of \$105,500 monthly. Fab says that this cost closes the gap in labor rates between the two countries in the past where they were found to be on average less. Even more astonishing to come in that North Carolina is a right-to-work state, where labor rates are among the lowest in the country.

But Fab adds that the Canadian workforce is superior to its American counterpart, which is why I endorsed our gap of fact into free trade. Canadians are smarter, more educated and healthier in body and spirit, factors which even this makes up for a slightly higher pay scale.

But Fab worries about the future. "My Canadian worker is far more experienced, but is usually an immigrant or the child of an immigrant," he says. "The work ethic, I fear, may deteriorate in the 1990s because Canadian kids don't have the discipline of their parents. On the other hand, in North Carolina you can attract good people from the rest of the United States—engineers or professionals, whatever you need, you get. In Quebec, there is no pool to draw from. People won't locate in Quebec because of language laws and high taxes. A US engineer with a child won't land his kid to a French school, and our tax structure is terrible. Eggs in North Carolina are 50 per cent cheaper. Why should anyone come here?"

Since free trade, Fab has rationalized, or merged, production on both sides of the border because tariffs affecting his products have been eliminated. "We are moving out a division from North Carolina to Canada because the production is more complex and the Canadian employees are better at it," he says. "But we are sending other production to North Carolina which they can do more cheaply because it is more abundant. The result is Montreal employment will remain the same, but North Carolina's will be done by 150 people."

Another personality facing employees south of the border is now, explains Fab. "In a three all the time I applied in a country club down there—Eva Jewish, and they wanted a picture of my family, my background, and to know the church and school I attended. I refused and was rejected, so I closed the corporate account at that club and forbade my company functions to be held there and urged employees to boycott the place. I got anger when one of my black managers was asked to leave a wedding at the club. As the result, I think I've lost employees, but pressure resulted in their leaving. Blacks."

Fab lived in North Carolina from 1988 to 1987, but says that he refused to Montreal for his children's sake because he felt Canadian schools are superior. "While it is generally accepted that schools are poorer in less-developed areas like North Carolina," he says, "it surprised me to learn the drug problem is evident even in Union's Rocky Mount, N.C., a small town of 50,000, far from the notorious Port Arthur area of West Texas. I guess that that anywhere from a low of 10 per cent to 30 per cent of the population is a waste to the US, if tested for drugs, would be dismissed in the morning down there. If we test a group of 34 for drugs, six are on hard drugs, and I mean heroin or cocaine."

Because employees are working with potentially dangerous machinery, Union's management considers workers testing all the time. "If they are found to be on narcotics, we tell them to get out of the plant," Fab says. "If they are found to be on hard drugs, they are dismissed immediately. We put an ad in the paper looking for a shift operator. This is not a big deal, but a shift operator who's appeared on a list would be dismissed. We don't use narcotics and we've never rejected because they were on hard drugs." And he thinks we have problems. At least ours are solvable. They are, after all, mostly economic problems.

# THE RACE BEGINS

**BATTLE LINES  
ARE DRAWN AS  
LIBERAL LEADER-  
SHIP HOPEFULS  
TRY TO IMPRESS  
A DIVIDED PARTY**

**A**s a young businessman in 1990, Paul Martin Jr. seemed a likely welcome to the once rough-and-tumble style of Quebec politics. Three months after moving to Montreal from Toronto, Martin was winning as a Liberal volunteer on his first provincial campaign when he inadvertently walked into the committee room of a rival candidate: popular professional wrestler Johnny Rougeau. Moments later, one of Rougeau's hulking bodyguards accused Martin and several fans of spying on their campaign. One of them then broke his nose with a single punch. But that rough greeting did not dissuade Martin from embracing himself in politics over the next 24 years. And last week, when he announced his candidacy for the federal Liberal party leadership, the 51-year-old son from L'Assommoir displayed a combative nature. With an aggressive endorsement of the Meach Lake constitutional accord, Martin quickly polarized the race into a charged—and potentially nasty—fight with one of the accord's toughest critics and the man who is seen to be its main leadership opponent, former Liberal cabinet minister Jean Charest.

There was little chance in the dancing of battle lines in Martin's bid for defence of the deal with persons' against his opponent. Just one day earlier, Charest, who is expected to announce his candidacy this week, had emerged from months of public silence to reject the accord's provisions in a stinging—dry—attack before an overflow audience of law students at the University of Ottawa. These opening salvoes thrust the race for the Liberal crown into the public sphere—and marked an end to a year of silent warfare campaigning, which had failed to stir passions among many of the Liberal rank and file. But the spotlight on Martin and Charest left other leadership hopefuls scrambling for equal atten-



Martin and wife Shelia: A smooth entry smoothed anxieties about earlier losses

tion—among them Hanaiah ne Shiba Cope, who also announced her candidacy last week (page 28). Torontoites John Monette, Dennis Mills and Joe Peterson and former Quebec environment minister Clifford Lincoln are also considering entering the race. But the field of potential candidates shrank when veteran Winnipeg rep Lloyd Newberry, citing a lack of money, said that he would not run.

But with the two acknowledged early leaders turning notice that the debate over Meach Lake will be at the forefront of the race, few Liberals expressed doubts that a late, head-to-head confrontation could leave the victor of the June 25 vote at the party's leadership

convention in Calgary badly bruised—and the party too seriously split to wage an effective election campaign. The accord, which would secure Quebec's full participation in the Constitution, has bedeviled the Liberals since the deal was signed in June 1989. And last week's clash only revived and accentuated the lingering doubts that characterized the wily play of out-ofgoing leader and Meach Lake supporter John Turner—who lost Charest's vote for the leadership in 1984. "The race is already far less gracefully done than the 1984 campaign," said John Rae, Charest's campaign chairman and also a friend of Martin's. "The party has divided into warring camps."

For Martin, any concerns about the long-term health of the party were clearly dwarfed by the impulsive need to stage a vigorous campaign kickoff. Long treated by backbenches Liberals as a potential leadership candidate, the former businessman arrived in Ottawa in November 1990, as a buy-time for with few political skills to match his lobby supporters. Martin stumbled badly in his last days into the national stage, most memorably at a national caucus meeting in St. John's last February when he made statements on free trade and Meach Lake that diverged from Turner's policy. He also appeared wounded by critical media coverage of early organizational flubs and his uncomfortable television style. As a result, his advisers expressed concern that a sluggish campaign launch would cement the

perceptions among Liberals that Martin lacked the dynamic finesse required to lead Charest's now-tantalizingly renewed efforts to stave off another pre-Meach candidate, such as Ontario Premier David Peterson. For months, Martin had been losing his campaigning style by appearing to small gatherings of Liberals in their constituencies. Then, three days before officially entering the race, Martin's first public speech, a 10-minute burst in Montreal to prepare for the crucial announcement with a select group of advisers—including media consultant Jack Fitzmaurice, aide David Despres and campaign manager Michael Robinson (page 32). "Paul has learned from his mistakes over the last six months," said one senior Martin insider who occasionally presided over the sessions. "But we knew it had to be a no-mistake speech."

Even as the Martin team was putting the finishing touches to the campaign kickoff, however, Charest thundered into the race in advance of the official announcement of his candidacy with his 50-minute tirade against Meach Lake. Charest had been one of the most forceful in negotiating the 1982 Constitution—which Charest's son shared to sign. As a result, he had been under tremendous pressure to deliver his considered view. Still, his aides had not wanted to compromise their candidate too far in advance of the Calgary convention. Instead, they had aimed to show voters from events showcasing Martin's back-road tour in order to meet with potential Liberal detractors away from the scrutiny of the national media.

But Charest's absence from the escalating public debate over Meach Lake provoked speculation that he might distance himself from his past criticism of the deal in order to strengthen his standing among Quebec Liberals—who overwhelmingly support the accord. Much of the pressure on Charest to make his case in the constitutional debate came from Pierre Trudeau. On several occasions since last summer, the former prime minister has warned Charest—directly and through other senior Liberals—that he was prepared to speak up against him during the leadership convention. Charest's family and publicly opposed Meach Lake. Charest and his advisers opposed over the speech for weeks. Drafts were tossed across the country to dozens of Charest supporters and other key Liberals—including Trudeau—in silent protest. In his speech, Charest described as "a reasonable basis for negotiation" the five demands that Quebec brought to the Meach Lake talks: the right to a veto over major constitutional changes in the future, more power over immigration, a voice in Supreme Court nominations, restrictions on federal spending in provincial jurisdictions and recognition of Quebec's "distinct society." But he argued that, as it was written, the accord could "undermine our constitutional institutions." In particular, he said, Meach Lake called into question the effectiveness of the charter of rights and "ignored the enormous state that Quebec citizens—not just governments—have in the Constitution." Charest also called for an end to the hysteria surrounding the issue. "To characterize the debate as 'all or nothing' only serves to increase risks," he said.

That message struck deep among Meach Lake's staunch critics that Charest was prepared to take up their cause. Two former Newfoundland government officials testified that Charest must have been consulted by his deputy minister, Vincent McCarthy, before McCarthy ordered police to drop their 1995 investigation into the orphanage. McGowan decided to testify with his best few weeks.

AN ENDANGERED HERD  
Native leaders who live near Wood Buffalo National Park used a federal conference to demand more protection for the park, which straddles the Alberta-Northwest Territories border. The issue was linked with demands that Alberta ranchers stop night poaching on their cattle.

CRIME PLAN SCUTTLED  
Following complaints from civil rights activists, defence lawyers and co-sponsor groups, the plan to conduct in Ayer, Que., a federal trial to probe the crime that would have occurred in the summer of 1982, and photographs of local residents who have been convicted repeatedly of criminal offences.

WINE-CRIMES CHARGES  
Stephen Beattie, 55, a retired semiconductor buyer in St. Catharines, Ont., became the third person to be charged under 1987 legislation that allows British Columbia to charge wine consumers with charges for allegedly transporting 2,000 litres from his home Châteaufort to New South Wales in April and May of 1992.

CRIME PLAN SCUTTLED  
Following complaints from civil rights activists, defence lawyers and co-sponsor groups, the plan to conduct in Ayer, Que., a federal trial to probe the crime that would have occurred in the summer of 1982, and photographs of local residents who have been convicted repeatedly of criminal offences.

CRIME PLAN SCUTTLED  
Following complaints from civil rights activists, defence lawyers and co-sponsor groups, the plan to conduct in Ayer, Que., a federal trial to probe the crime that would have occurred in the summer of 1982, and photographs of local residents who have been convicted repeatedly of criminal offences.

## National Notes

### LAST RUN OF A LEGEND

The last outboard and weekend train on Via Rail's southern route passenger service, the Canadian, completed their final run, and for the first time in 104 years, there was no more daily transcontinental rail service in Canada. The Canadian, which runs between Vancouver in the west and Toronto and Montreal in the east, along the C.P. line, through Regina and Calgary, was a victim of Canada's massive cuts in subsidies to Via Rail. A transcontinental service three times a week in 60's has through Saskatoon and Edmonton survived the cuts.

### WINE-CRIMES CHARGES

Stephen Beattie, 55, a retired semiconductor buyer in St. Catharines, Ont., became the third person to be charged under 1987 legislation that allows British Columbia to charge wine consumers with charges for allegedly transporting 2,000 litres from his home Châteaufort to New South Wales in April and May of 1992.

### AMOUNT CASHING TESTIMONY

The seven-month-old Hughes inquiry into allegations of sexual abuse during the 1970s at the Mount Cashel orphanage in St. John's, Nfld., focused on then-justice Minister T. Alex Macdonald—now chief justice of the Newfoundland Supreme Court. Two former Newfoundland government officials testified that Macdonald must have been consulted by his deputy minister, Vincent McCarthy, before McCarthy ordered police to drop their 1995 investigation into the orphanage. McGowan decided to testify with his best few weeks.

### AN ENDANGERED HERD

Native leaders who live near Wood Buffalo National Park used a federal conference to demand more protection for the park, which straddles the Alberta-Northwest Territories border. The issue was linked with demands that Alberta ranchers stop night poaching on their cattle.

### CRIME PLAN SCUTTLED

Following complaints from civil rights activists, defence lawyers and co-sponsor groups, the plan to conduct in Ayer, Que., a federal trial to probe the crime that would have occurred in the summer of 1982, and photographs of local residents who have been convicted repeatedly of criminal offences.

gulf. Those mistakes had been made all the more troubling by the expectations of money that Martin, having been introduced as politics all his life in the son of longtime Liberal cabinet minister Paul Martin Sr., would display sound political acumen.

In fact, Martin's father—who three times tried to capture the Liberal leadership himself, in 1948, 1968 and again in 1984—discouraged his son's early political ambitions. Instead, Martin Sr. recommended that his son first establish himself in a business career, a piece of advice that Martin Jr. followed. In 1967, the year after his graduation from Toronto's Osgoode Hall Law School, he became executive assistant to Maurice Strong, then chief executive officer of Montreal's Power Corp. Rising up the Power hierarchy, Martin became president of Canada Shipwreck Lines, then held by Power, in 1979. In 1981, in partnership with shipping magnate Laurence Fries, he borrowed \$180 million to buy the company, now known as The OS Group Inc. Since acquiring P&F's interest in C&N's shipping activities in 1984, Martin has resisted pressure to put the company up for public offering—partly so that his three sons, Paul, 33, James, 30, and David, 24, would retain the option of eventually taking over the business—now worth about \$341 million.

But in spite of his flourishing business career, Martin continued to engage in backroom work for the Liberals. Finally, in 1985, con-

duct in the management team he had assembled at C&N, Martin succeeded to the office of politics and began to prepare for a run at the party leadership—a move supported by his wife, Sheila, although friends acknowledge that she remains ambivalent about the sacrifices required at political rallies.

Some critics have said that Martin is driven by a desire to succeed where his father failed—a notion shared by those close to the candidate. "He has an almost old-fashioned sense of duty towards public life," said Montreal advertising executive Anthony Chastelain, one of Martin's closest friends. "But he does that, he is running for leader to accomplish what his dad never did as our true."

Many of Martin's closest friends are Quebec businessmen who have been involved in the spectacular expansion of the province's economy over the past 20 years. And Martin himself enthusiastically endorses Quebec's policy of using local capital behind



Peterson: to some, a potential star candidate

such institutions as the province's pension fund to finance the growth of internationally competitive companies in a model of industrial and economic expansion. Martin, who describes himself as "a Quebec nationalist and a Canadian," says that the Quebec investment and growth funds can be adapted for use in disadvantaged regions of Canada.

Some party members have embraced Martin's message. In Scarborough, Ont., earlier this month, a crowd of 80 Liberals responded enthusiastically when Martin declared, "We cannot continue to sit at home in front of our television sets, watching the world change, and wondering all the time who someone is at last going to come to Canada and build an industrial plant." But not all Liberals are prepared to accept Martin's blueprint for achieving economic expansion. Said Albert Agge, a Toronto lawyer and longtime Liberal activist, who says that he remains committed to key candidates: "Martin is presenting the Harvard MBA and University of Western Ontario Business School theory of economics, which many are not prepared to accept."

At the same time, many Liberals who express reservations about Martin's bigger-better economic views lost one of their most prominent voices last week. On Jan. 17, Anthony, who had dropped frequent hints that he might enter the leadership contest, decided against it.

A move that left the party facing the endorsement of travelling to Calgary for a convention that could valid without a single western candidate. Anthony's lead runners had managed to collect pledges for only \$200,000 of their \$1 million target. Anthony, who was in the forefront of the Liberal party's campaign against free trade during the oppositioned federal election campaign of 1985, publicly complained that he had found it impossible to draw donations from a business community alienated by his stand against the Canada-U.S. Free Trade Agreement. But some supporters, blessed Anthony's style and his refusal to reveal his own agenda, recommended to him the need for the leadership to raise sufficient money. Said one aide: "If you are going to ask people to write big cheques on

your behalf, you must demonstrate passion." In Quebec, meanwhile, both Martin and Chastelain face a desperate battle. The federal Liberals, who in 1986 held all but one of the province's 75 seats, now hold only 11 of them. For his part, Martin is relying for help on the provincial Liberal party organization. In fact, Quebec Premier Robert Bourassa's arguments are likely to work with any federal leadership candidate who might defeat Chastelain, who, in addition to his opposition to Meech Lake, has traded bitterly with Bourassa throughout his career. For that part, Chastelain's losses are putting them both in the belief that the right leader can uncover a powerful and leadership block of Quebecers who still believe in a strong federal system. But many Quebec Liberals say that the former cabinet minister has set himself an impossible task.

For now, the clear and hardheaded Meech Lake positions have crystallized the race between the champions of two competing directions for the party. As a race that has already been bitterly fought between the Martin and Chastelain camps and that still has few emotionally strong motives to go, Liberals say, any move to Calgary deeply divided. Such a split would leave sitting the second tier of candidates: Mike Cogan, who considers themselves to be potential brothers, but the divisions would also present the greatest threat yet to the safety of the once-gravid Liberal party.

BRUCE WALLACE in Ottawa



Turner's lingering tensions

While the world hurries on, there comes a time when, just for a moment or two, you let it slip by without you. A little time to be alone with your thoughts. And nothing fits the feeling better than letting the sun in with a light, refreshing Sun-Rype Cocktail.

After all, you deserve it.

*this I do for me*

**Sun-Rype**

COCKTAIL RECIPES

# A Liberal firebrand

Sheila Copps wages an uphill battle to be leader

The poll was barely scientific, but the results were intriguing. When radio station CKOI in Shawanaga, Ont., solicited listeners on Jan. 22 who they would support for leader of the federal Liberal party, the largest group of voters (37.5 per cent) said

at the age of 34. She lost her battle for the riding of Hamilton Centre in the 1977 provincial election by only 14 votes. Four years later, after a stint as an aide to then-Ontario Liberal Premier Stuart Smith, she ran again in the same riding and won. The following year, she played



Copps: a reputation for outspokenness, political idealism

that they would back the town's most famous son and former M.P. Jean Charest. Mounted businessman Paul Martin, who is widely considered to be Charest's closest rival for John Turner's mantle, was the choice of just 15 per cent. But the real surprise was a third candidate who appeared to be coming almost out of nowhere: Christine "The Little Guy from Shawanaga" was his own home town. More than 31 per cent of the callers said that their choice for Liberal leader was a 37-year-old, second-term, biologist, son from Hamilton, Sheila Copps. Observed CKOI on-air host Pierre André Harel, who conducted the poll: "People like her because she is young, determined and she's a fighter."

The first woman to run for the leadership of the federal Liberal Party has also acquired a reputation for surprising opponents with her political attitude. A member of the Ontario legislature for three years before she was elected to Parliament in 1984, Copps first attracted attention by launching a respectable career behind David Peterson only 1982 race for the Ontario party leadership. Among her supporters from the Ontario Liberal Party were John Diefenderfer, Don Boudreau, whose role as Liberal spokeswoman only began to be revealed in the current leadership race. Recalled Boudreau of the 1982 contest: "It was hard to imagine that a 29-year-old, first-term MP could ever come close to the leadership."

Over time, Copps herself acknowledges that she feels both Martin and Charest, who was expected to announce his official entry into the race this week, as natural opponents. But even more, as a small voice are caught not to underestimate the power of the younger member. Said one Martin aide: "The question right now is, 'Could Copps catch him?' We are watching that closely."

Curiously, Copps has confounded expectations in the past. The daughter of a militant politician, Victor Copps, who was mayor of Hamilton for 13 years before being disabled by a heart attack in 1971. He died in 1982, Sheila Copps first ran for elected office

another occasion, she battled a row of claims in an attempt to corner a beleaguered Tory cabinet member, then Industry Minister Stephen Leveson, as he departed from a hearing of a House of Commons committee. She called her 1986 constituency, Stacey's 1986, an acute infection to Tory minister John Crosbie having dismissed her as "liberal" designs-Copps' delusions. She only reinforced her radical image when she posed for the cover of Saturday Night magazine dressed in black leather and perched on a motorcycle.

As the daughter of Hamilton's mayor, Copps's early years were steeped in politics. After her father first assumed office, she and her two sisters and an older brother regularly attended a part of his re-election campaign. Copps later went on to attend the University of Western Ontario and the University of Ottawa in Ottawa, studying engineering. Upon her return to Canada in the mid-1970s, she spent about a year as a reporter with *The Ottawa Citizen*. Recalled one former colleague: "She was always fast to be around—boldly, capturing the life of the party."

But friends say that Copps's life quickly took a more serious turn. After her father's 1976 heart attack, she returned to Hamilton to work for *The Merchant Speculator*. She spent a lot of time at her father's bedside, and as her father co-writer. "She became much, much tougher," she had said embarking on a first marriage, which broke up after less than a year.

Last week, Copps said that she has been inspired from her second husband, American businessman Richard Morrow, whom she married in 1986. They share custody of their two-year-old daughter, Danielle, and Copps says that she intends to take the child

with her on some of her campaign travels. Since setting her sights on her party's top job, Copps has achieved none of her more dramatic qualities. For one thing, she has attempted to avoid her shrill outbursts of heckling Copps denies that she has taxed down her personality in order to become more palatable to voters. Rather, she said, "There has been another side to me all my life." Now, she will need not only her newfound poise but much of her learned toughness if she hopes to demonstrate that the radio poll's surprising results in Charest's home town, said the first step towards eventual victory.

LISA VAN DUSEN in Ottawa



Robson: attracting an impressive number of well-connected party veterans

## The man behind Martin

A nice-guy manager plays hardball politics

Michael Robson, Paul Martin's campaign manager, causes a stir to the best of a succession of Party's light executives, paths only two to three times, he has the cigarette out. The man who has led the Liberal Party's light executives, paths only two to three times, he has the cigarette out. The man who has led the Liberal Party's light executives, paths only two to three times, he has the cigarette out.

Until now, Robson has been best-known as Ottawa for his association with his former business partners David MacNaughton and Allan Gage. Robson and MacNaughton worked together for Public Affairs International Ltd., the firm that in 1982 bought Gage's Ottawa Research Ltd.—one of the country's most successful polling firms. Now, Robson works as an independent public affairs consultant—coaching his clients—who he serves as an unpaid campaign manager for Martin. Still, before Martin first approached him last spring, Robson's background political experience had not been substantial. He served on the Liberal campaign strategy committee during the 1985 federal election and since then has served as the party's chief financial officer.

In fact, aside from a few late-night drinking sessions over the years at the usual weekend retreat of a group of Liberal insiders at Grand Island near Ottawa, Robson and Martin were only passing acquaintances. But Martin was clearly impressed by Robson's abilities. For his part, Robson, who is married and has

three sons (aged 18, 8 and 6) and a four-year-old daughter, decided to back Martin because, he said, Martin's politics could best help the Liberal party climb back to power. The team that Robson has helped assemble includes several of his former business associates, as well as some veterans from past Liberal campaigns. Campaigns chairman James Desrosier, 60, and communications director David Desrosier, 34, are consultants who both worked with Robson at his last campaign, 57, a former cabinet minister in the Trudeau government and former president of the federal Liberal party, as acting as Martin's campaign co-chairman along with Quebec MP Jean Lesieur, 32.

In several instances, the team's organizational ability has paid off most handsomely. Last year, Martin's campaign had been quietly making progress in job university Liberal clubs. They focused particularly on Ontario, whose clubs will weigh in as early as 155 of the total 2,200 voting delegates to the convention. That tactic remained largely unnoticed by the Clinton team (but a clause in the Ontario Young Liberals' constitution states that members who joined university clubs after the official start of a leadership campaign cannot participate in any delegate-selection meeting). When the campaign officially began on Sept. 18, Clinton's people were shocked to find that Martin had built up strong support in the clubs. On Dec. 10, they asked an executive meeting of the Ontario wing of the Liberal party to revoke the clause. But the executive upheld the rule. Observed one Ontario insider: "The Clinton guys had been completely out-of-control all summer because they took things for granted, that they wanted us to come to their rescue. We were not very impressed."

Despite such successes, some members of Martin's campaign question whether Robson has the ruthlessness to lead the candidate over the top. Said one campaign adviser: "A couple of us were talking about how a particular person in the office is not working out. I said there was no way Mike would fire him, because he truly thinks that if someone is not working out it is because they are not being used in the right way." But MacNaughton cautions that his longtime colleague should not be underestimated. He added: "The last time I played tennis with Mike, I thought, 'Here's this little kid who's playing like a pro.' He's got a lot of athletic skill. He's got me 6-1, 6-1. He's extremely competitive."

For his part, Robson, whose favorite reading consists of biographies and thrillers, acknowledges that he is a mercenary. But he adds that he knows his services are being used by Martin for the office. Robson said: "I find people call at home or on weekdays' transcriptions instead of privacy." Indeed, Robson jokingly says that in 10 years he hopes to get out of politics entirely—and be a "gentleman" guy farmer. But at least until then, Paul Martin's right-hand man will be glad to get such success stories—even on weekends.

LISA VAN DUSEN in Ottawa

# Vander Zalm's 'surprise'

British Columbia's premier vows to stay on

I was political theatre at its best, and it played for 35 successful days. British Columbia Premier William Vander Zalm set the stage last Dec. 23 when, after his Social Credit party's sixth consecutive by-election loss to the New Democratic Party, he announced that he would resign his political future. Appearing confident and even humbled by the string of defeats, his supporters plastering in square jobs and sincerely braised by defections from his cabinet and caucus, Vander Zalm retreated behind the controlled walls of his modest home in the grounds of the Preston Gardens theme park south of Vancouver. Finally, in a postcard-size televised address last week, Vander Zalm ended speculation about his resignation and dashed the hopes of his political opponents believing voters that he had decided to step on as premier. Vander Zalm declared, "I've got a job to finish."

For more than a month, Vander Zalm's playful tone about his plans—inter-guessed with rallies staged by his supporters, a public plan from his own leader in resignation and a flurry of letters to and from the premier's office—had alternately entertained and exasperated British Columbians but the artifice was unique in Canadian political history—and, as unexpected as the appearance of a leader of a majority government in its first term in office taking to the air to announce that he was not going to quit, it deserved Winnipeg-based pollster Angus Reid, who regularly surveys public opinion in British Columbia. "He was able to control the political agenda for five weeks. It was masterful."

But it was also a measure of the quality of B.C. politics, as well as of the carefully staged strategy of controversy that has accompanied the three-year-old Social Credit administration Vander Zalm used his 21-minute address on Jan. 13 to rebut charges of his controversial stance on abortion, allegations that he inter-fered in the sale of land left vacant after the close of Expo 86, his role in a questionable bid for a neighbourhood pub licence and

his decision to block the distribution of condoms to high schools and on educational video on AIDS. He struck out at his critics and the media, and threatened the federal government over high interest rates and its proposed Goods and Services Tax. Then, Vander Zalm concluded with an extraordinary commitment to re-energize Canada's constitutional dispute over the Meech Lake accord.

Despite the defiant tone of the message,

Meanwhile, Vander Zalm's declaration that the Meech Lake accord was "unacceptable to the people of British Columbia" launched the premier into his fresh controversy. For his part, Vander Zalm insisted in interviews following his address that he was not overturning his position on the accord—which he signed in June, 1987, and the B.C. legislature ratified in June, 1988. Instead, he said that he had developed what he called "a very sensitive and very effective new framework" to save the constitutional pact. Details of the proposals were to be released this week. But one official close to the premier told *Maclean's* that the plan—delivered to Prime Minister Brian Mulroney on Jan. 29—contained five points designed "to make all of the participants feel equal, with no special privileges for any sector." Added the official: "It that entails identifying all of Canada's distinct societies, so to it"—a reference to the contentious clause in the accord that lets Quebec stand out as a "distinct society."

In Ottawa, a spokesman for Mulroney acknowledged at the week's end that the Prime Minister had discussed Vander Zalm's proposals with him during a telephone call on Friday—but declined to reveal their details. Further, Mulroney, noting that Vander Zalm had declined the accord since signing it, remained dryly of the B.C. premier's latest outburst: "It is a case of principle. Mr. Vander Zalm would not do anything unbecomingly." But in Quebec City, Premier Robert Bourassa repeated his assertion that any modification of the accord was "unacceptable."

For the *Weekend* B.C. present, however, it was just the latest twist in a roller-coaster political career. After taking over his party in 1986 following the resignation of his predecessor, William Bennett, Vander Zalm and the Socialists in the largest minority in the province's history

In the Oct. 22, 1988, election, the party was 49 seats to the NDP's 20. But by last month, Social Credit's and the NDP's string of hell a down by-election victories had reduced that surge to seven seats from 24. The present standings in the B.C. legislature: 38 Socialists, 25 NDP, and five independents—four of them former Social Credit members who resigned over Vander Zalm's leadership.

Scorned critics of Vander Zalm's leadership point to a poll conducted by Winnipeg's *Weekend* 13 days before last week's address as evidence that he should leave office for the good of the party. But his survey indicated

that 46 per cent of respondents preferred the NDP leader Michael Hancock to a second party headed by Vander Zalm—the choice of respondents 773 per cent could not that Vander Zalm was doing a good job of managing business affairs in the province.

Accordingly, Vander Zalm devoted the first portion of his speech to a series of glowing adjectives of his province's economic health. Among other things, the provincial work-force grew by 50 per cent in 1989, compared with the national average of two per cent, capital investment climbed by 23 per cent compared with 11, and retail sales rose by 21 per cent compared with six. Last year, the premier added, British Columbia led the country's only balanced budget, and a second balanced budget is due before the end of March.

But then Vander Zalm turned to the controversies that have dogged his administration. Perhaps the most emotional one has revolved around the desecration of Kananaskis Park's sacred site. Following the Supreme Court of Canada's January 1988 decision striking down the federal abortion law, Vander Zalm declared that the province would not fund abortions unless the mother's life was at stake, even in cases of rape or incest. In March, 1988, the B.C. Supreme Court struck that policy down as illegal.

Two other controversies the same year involved Vander Zalm's relationship with developers—and former Vander Zalm fund-raiser—Peter Taps. In one instance, opponents accused the premier of interfering in the sale of the former Expo 86 lands on behalf of his friend. An *Investigative* found no evidence of wrongdoing—but two of his cabinet ministers resigned in protest over his role in the affair. On another occasion, the provincial ombudsman revealed that blasted lands had been employed in a plot to bid to a Vancouver pub—land, but no longer owned by Taps—winning a liquor licence. The premise from that conducted the plot was owned by the manager of Vander Zalm's leadership campaign. Last week, the B.C. premier asserted that he had known nothing of the events surrounding the pub—and that he had only sought the bid for British Columbia in the sale of the Expo 86 lands.

Vander Zalm also swept aside opposition charges that he was wrong to have backed the release of an ex-convicted man with violence and the sale of condoms in high schools—arguing that the video ended improvement and that parents should decide whether their children receive condoms.

As if to undermine the message that he has learned from his past battles with controversy, Vander Zalm ended weekly on Friday with media reports disclosed that a widely used subsidiary of B.C. Hydro was on the point of leasing space in a Kamloops office building that he owns. Vander Zalm shrugged the deal.

And despite an accusation by the NDP's Hancock that his address had "more to do with feeling than facts," there was at least an early admission that Vander Zalm's new under-stand-

ings were proving persuasive to voters. In a poll taken over the two weeks following his television appearance, *Weekend's* Reid found that 48 per cent of respondents agreed with the premier's decision to stay—compared with 42 per cent who said that he should have resigned. Noting that the element in Vander Zalm's speech that drew the most approval was his commitment to seek changes to the Meech accord, Reid commented, "The Social Credit party appears to have gained upper support as a result of this initiative."

Whether that crew approval rating would please Vander Zalm's second critics, however,

remained to be seen. For his part, Vander Zalm declared last week that "there is no room for doubt" within the party. Significantly, 11 of Vander Zalm's 23 cabinet ministers found reasons not to join him in watching the broadcast of last week's packaged statement to his Victoria office. For British Columbia's unpredictable premier, plainly, the new challenge was to turn last week's unexpected dissentment into an enduring political advantage.

RAL QUINN in Vancouver and JOHN PERRY in Victoria



Vander Zalm harsh words for critics and the Meech Lake accord

## FAMILIES DISAGREE ON

Who gets to shower first, Saturday morning cartoons, the merits of brushing teeth, the benefits of broccoli, allowances, pierced ears, whether Dad snores, and on, and on and on...

## FAMILIES AGREE ON

The great taste of Rice-A-Roni.

**RICERONI**  
FOR CHICKEN

For any rice and chicken dish.



© 1989 Rice-A-Roni Food Products, Inc. All rights reserved. Rice-A-Roni is a registered trademark of Rice-A-Roni Food Products, Inc.

# Bawdy trade-offs

Free trade's first year gets mixed reviews

The contrast was remarkable. International Trade Minister John Crosbie, who had delivered free-trade speeches—speaking of the merits of the Canada-U.S. Free Trade Agreement during the 1988 election campaign, was startled to find last week as he met reporters at Ottawa's National Press Theatre to counter criticism of the FTA. Free trade supporters had marked the first anniversary of the agreement on Jan. 1 by claiming that it has cost Canada more than it has benefited the country. Crosbie's Labour Congress president Shirley Kay, for one, declared that the accord had cost Canadians 70,000 jobs during its first year. Crosbie disputed that claim last week. But he offered few assurances that the arrangement has produced any marked benefits. "We cannot put your finger and say the FTA has had this or that effect," Crosbie said. Instead, he asked, "We won't leave the country in a state of despair if the FTA for four or five years, at least."

Still, Crosbie was optimistic about the current state of the Canadian economy. Contradicting Kay's assessment of job-related job losses, Crosbie asserted that 123,000 more jobs were created in 1989 than were lost. He noted as well that business investment in the country rose by 12 per cent last year and he underscored the \$679-million positive balance of trade recorded in November after the net value of Canadian exports and imports had finally dipped into the red during October. Declaring Crosbie, "There hasn't been the load of economic disaster that the left, the Liberal party and other elements were predicting."

Crosbie also urged border cities to increase their promotional activities to attract U.S. shoppers and tourists, warning that large numbers of Canadians now travel to Buffalo and other nearby American cities to buy many of their goods. Asked if he had ever visited Buffalo himself, the minister replied that he had only done so once, adding, to laughter and red faces, "But that was for other purposes when I was young and reckless."

For her part, Kay and other critics of the agreement said that they were unconvinced by Crosbie's defense of the FTA. Declared the critic leader, "I think it has been devastating to our country. It has been four years in bed in our economy." Echoing Kay's pessimistic view of the agreement, Robert White, executive president of the 100,000-member Canadian Auto Workers union said that Canadian companies have invested heavily in the United States in the wake of free trade, creating jobs there. But he added, "I don't see it creating the other way." And Donal Kow, president of the Canadian Federation of Agriculture—which

represents most Canadian farmers—claimed that the United States has actively increased its export subsidies to farmers while using the FTA to attack benefits paid to their Canadian counterparts. Observed Kow, "The trade war mentality is still there."

Liberal trade critic Lloyd Axworthy, who followed Crosbie to the podium, said that the



Crosbie reserves judgment on free trade's impact

agreement threatens Canadian social and agricultural progress. And he emphatically dismissed Crosbie's claim that it was too early to judge the arrangement's benefits. Said Axworthy, "The great promises of salvation have turned into a kind of prophecy that Canadians will have to suffer through for years to see if they can eventually get the legs to leave it." Referring to Crosbie's bawdy comment on Buffalo, Axworthy commented: "Mr. Crosbie spent too much time in Buffalo 29 years ago and lost all his vim and vigor there." Meanwhile, war trade critic Steven Langlois noted the change in the government's support of a chairman of the year. "That was supposed to

be the best thing since sliced bread," he said. "It is hard to believe the bawdy, careful, defensive tone of government spokesmen a year later."

Still, only a day before Crosbie's appearance, the Royal Bank of Canada, which strongly supported the FTA during the public debate over its adoption, issued its view, cautiously optimistic report cited on the agreement. Acknowledging that it was difficult to isolate the FTA's effect on the economy, the bank reported in its monthly newsletter *Macroeconomic*, "early evidence indicates that many Canadian firms have responded well to the opportunities and challenges of free trade." Noting that some layoffs, especially in the textile and tobacco industries, could be traced to the agreement, the bank added, "We conclude that job losses in some vulnerable areas were offset by job gains elsewhere." But it offered no figures to substantiate that assertion.

At the same time, other observers said that the effects of the FTA in its first year were largely eclipsed by other economic influences. Gordon Richter, for one, who is deputy chief economist for Canada's largest bank, said that the FTA's effect on Canadian exports that he outweighed any benefits of the FTA. Declared Richter, "The effect of the dollar has been about 20 times the effect of the Free Trade Agreement."

But, like Crosbie, Richter said that the full benefits of the FTA, which will not be fully perceived for another year or two, will only become clear after more time has elapsed. "Ten years out," Richter said, "the Free Trade Agreement will have significantly benefited Canada."

But the agreement, that kind of optimism appears to have the support of only a minority of Canadians. In a *Maclean's*/YDex poll released on Dec. 26, 53 per cent of respondents said that they believed the FTA had been a "bad or very bad idea" for Canada—compared with 43 per cent who called it a "good or very good" idea. And Crosbie's lively defense of the pact last week seemed unlikely to change the minds of Canadians who are convinced that free trade has failed to deliver its promised benefits.

GREG W. TAYLOR with MARC CLARK in Ottawa

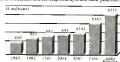
# Promises made. Promises kept.

Brand name pharmaceutical manufacturers promised Canadians that we'd keep prices down, and research investment up. According to the Patient Medicines Prices Review Board, we've kept our promises, and then some.

Prices that are fair. More medicines that help people live longer, better lives. Treatments that save the health care system precious dollars.

Canadians are enjoying the rewards of promises made by the Pharmaceutical Manufacturers Association of Canada (PMAAC) over 10 years ago. Promises to keep prices down while the rest of the world. And to increase our research spending in Canada—in a total of \$1.6 billion by 1996.

Annual investments in Research and Development by brand name pharmaceutical companies\*



\* As surveyed by Post-Newsweek, chartered economists

Patent protection leads to a big investment in your health

90 made these promises in 1987, when the federal government passed Bill C-32 providing four points protection for the medical profession. And since then, according to the report just published by the Patient Medicines Prices Review Board, we've kept our word by doubling our research spending.

At the same time, our price reviews are even lower than we promised they would be. Lower, in fact, than the Review Board would have allowed. Making the best value in the health care system even better.

Brand name medicines are the best value in the health care system

Prescribed medicines account for less than 1 percent of Canada's total health care bill. They offer you spend on prescribed medicine uses the space between life and an illness. Helping people avoid surgery and keeping them out of hospital.

And brand name companies invest in Canada's health—more than \$1.6 billion each year. Our research dollars also cover challenging job opportunities for scientists at universities and health centres.

Brand name pharmaceutical companies invest in your future

Brand name companies are picking up a bigger and bigger share of Canada's total research and development. Research never stands still. It can't afford to because there are countless diseases still left to conquer and exciting new technologies to develop.

That's why we made our promises. That's why we're keeping them.



75 YEARS OF INNOVATION FOR CANADA  
Pharmaceutical Manufacturers Association of Canada

Representing Canadian brand name pharmaceutical industry

## DEADLY BLOOD FEUD

SOVIET TROOPS  
INTERVENE IN  
THE BITTER  
CIVIL WARFARE  
BETWEEN AZERIS  
AND ARMENIANS

The nightmarish experience began with a knock on the door. Elvira Vartanyan, a divorced, 58-year-old teacher, and her daughter, 12-year-old Deshevna, were alone in their apartment in Baku, the capital of the Soviet republic of Azerbaijan, when they heard the hammering. Vartanyan, an ethnic Armenian, said that when she opened the door, she faced a mob of men and women who showed no Armenian caring as they stormed in. As they pushed her daughter into another room, Vartanyan was already being beaten and dragged. They were scared, she said, when their Armenian neighbors rallied as if gleefully for their lives. After their attackers left, the mother and daughter, leaving their possessions behind, fled to a friend's home. Three days later, they headed west on what a fully loaded flight to Moscow and took up temporary residence at Armenia's diplomatic mission. Said a weeping, recently bereaved Vartanyan last week: "These were animals, not people." By late Saturday, Red Army troops appeared to be gaining control in one of the worst inter-ethnic conflicts in the Soviet Union's history.

On Saturday, soldiers moved into Baku by land and sea and, driving tanks, smashed Azeri blockades erected to try to keep them out. They, they agreed for no soldiers. One eyewitness said that the city's main street was a "river of blood." Another, Mikhael Khamatzy, a spokesman for Azerbaijan's nationalist Popular Front movement, told a reporter by telephone that there were "many dead and injured." A front spokesman in Baku said that at least 120 people had died, while others placed the death toll as high as 500.

Khamatzy added that 300 people had been killed when soldiers fired at a bus, and two people injured in the incident were being treat-



Soviet troops in Baku: smashing blockades and firing on Azeri militants

ed at in home. "People started screaming right away," Khamatzy said. Soviet Defense Minister Dmitry Yevsey told his forces that they could fire on anyone who was attacking them or trying to steal weapons. Then, on Saturday night, as unusually warm President Mikhail Gorbachev said in an unscheduled national TV broadcast, "At this hour, I call upon the people of Azerbaijan and Armenia to show peace and reason."

The conflict polarized the Soviet leader, already facing numerous ethnic and nationalist crises in the country's 15 non-Russian republics, with a full-blown configuration and the possibility of his own overthrow by conservative forces in the Government party. Gorbachev appealed to the nation for understanding in the crisis. He said that he had agreed to military action only after all peaceful methods of resolving the conflict had failed. Gorbachev, who looked pale and wore white gloves on TV, added that there had been "no pogroms and murders in Baku" and he said that "military units were sent by the law of necessity." But, declared the Soviet president, "I believe

officers also acknowledged that they were concerned over nationalist movements in all 15 out of the 15 Soviet republics. Black director of Soviet and Eurasian European studies at (Knox) Carleton University. "Gorbachev's concern is the changing every of centralist control."

That changing away is visibly apparent in Armenia and Azerbaijan. The largely Christian Armenians and the Muslim Azeris—both of whom are Moslems—have a long history of bitter differences that predate the 1987 Russian Revolution. The tensions increased after a 1993 Kremlin decision to award control of the largely Armenian enclave of Nagorno-Karabakh to Azerbaijan, which the Soviet Union had for over 20 years, the two republics have fought openly over the Nagorno-Karabakh region. That conflict has resulted in more than 200 deaths and internal military soldiers serving in the area report little confidence about Moscow's war aim.

The new outbreak of violence in Azerbaijan was also tied to more complex issues. In recent months, residents of the republic have expressed increasing interest in improving ties with its neighbors. In 1993, 16 million, while Azerbaijan's population is 6 million. In the past two years, the two republics have sought to improve ties with Iran. Earlier this month, thousands of Azeris descended on an open border with Iran attacked border installations and two down communications lines, trains and power towers. Since then, Soviet officials here said that they are prepared to work with Iran to facilitate border crossings.

The Armenians have grievances of their own. The republic has been suffering severe food and fuel shortages as a result of an Azeri blockade of transit bringing society needed supplies. And many Armenians claim that the Azeris are responsible for the deaths of 100,000 people in the Nagorno-Karabakh region. Shikharov, an editor with the status Anzavopri news agency. "The blood shed here is a result of aggression by Moscow."

Soviet military ministry officials say that Armenian actions have matched their Azeri counterparts in aggressive tactics. In the past month, troops stationed in Armenia have reported that gangs of Armenians have stolen police stations to steal weapons. Dima Seleznov, a senior inspector with the ministry, said the Armenian demonstrators stole last week tanks, which were later recovered, and used Armenian government officials to commandeer helicopters. The ministry also reported that bands of as many as 2,000 armed Armenians had been sighted in Azerbaijan.

For the most part, however, internal military officials say that Azeri violence against Armenians in Baku has been the worst of it. More than 6,000 Armenians were evacuated



that peace and reason will overcome."

Alex man that the Azeris had gathered battalions between residents of the two southern republics, in which hundreds were killed and wounded, more than 7,000 ethnic Armenians were hastily evacuated from Baku. Azerbaijan remained closed to foreign reporters, making independent analysis difficult. But after the Kremlin declared a formal state of emergency early in the week and ordered troops into the republics, Interior Minister Vadim Bakatin described the fighting as "civil war."

For Gorbachev, the latest ethnic clash in the north was one of a series of explosive crises. Less than a week after the Soviet leader visited the Baltic republic of Lithuania in an attempt to dampen growing separatist sentiments, that republic's ruling Communist party voted to call for the "restoration of the free and democratic state of Lithuania" in elections next month. As well, the legislature of neighboring Latvia voted to restore the official emblem that the republic used before its annexation by the Soviet Union in 1940. Kremlin

## World Notes

**A BRUIA DEAL OFFER**  
The extradition, leaders of Colombia's powerful cocaine cartels, last week offered to stop all drug trafficking and submit to government officials as witnesses for any prosecution. Since President Virgilio Barco announced a war against the cocaine trade last year, drug barons have responded with a wave of kidnappings and shootings that has left at least 200 people dead. The extradition offer came one day after Barco said that he would not end negotiations with cartel leaders.

**A HITTING IN CHILE**  
Seven veteran members of the Armed Forces, fired last November after an attempt to oust Pinochet, and the movement's exiled leaders in Zurich, AUC leaders tried to formulate a response to the South American government's cautious reform program and to decide the future role of Nelson Mandu, the movement's chief living abroad, who, they say, will be fired from prison next month.

**PRINCIPLES FREED**  
The Chinese government announced that it had released 503 people imprisoned for taking part in pre-democracy protests last June. Security forces needed to suppress the protests of dissidents after the army crushed the pre-democracy movement, and a police spokesman declared in comment on how many remain in custody. The release, like the lifting of martial law two weeks ago, was closely coordinated to approve China's image abroad.

**A PEACE PROPOSAL**  
The five permanent members of the United Nations Security Council proposed a peace plan for Cambodia, calling for an international peacekeeping force and free elections. The plan will be submitted for approval to the four winning factions in Cambodia.

**A SHUTTLE RECORDED**  
The Space Shuttle Columbia completed the longest U.S. shuttle flight—three hours and 11 days—on a mission that placed a dropping research satellite from space with its Canadian grapple and launched a communications satellite.

**OFFICERS CHARGED**  
In El Salvador, Col. Guillermo Rosendo, three lieutenants and five other soldiers were charged with the murders of six Jesuit priests, their housekeeper and her daughter, in San Salvador last November. Prosecutors in the highest Salvadoran military effort to be charged with a crime related to human rights abuses.

overnight from the city as programs directed against them resumed. When they arrived in Moscow, many Armenians brought only the clothes they wore—and reports of violence and assassinations. Lila Harutunian, 46, said that she watched helplessly as a mob threw a woman onto a bonfire. Said Gorbatchev: "The tragic events show the price of nationalist feelings."

Other refugees reported that Armen had beaten down doors, beaten people with wood as poles and bashed others out of windows. David Levon, 29, said that he was at Baku's airport awaiting a flight to Moscow when Armen insurgents began checking the documents of passengers. He said that he escaped only because he had previously acquired a forged passport that did not show his Armenian roots. Interior ministry troops also said that Armen insurgents seized all the roads to the airport and railroad station for two days to prevent Armenians from leaving.

Both Soviet and Western analysts say that it is unclear whether Gorbatchev's actions will enhance his standing in the eyes of most Soviets. Said Peter Roberts, a former Canadian ambassador to Moscow: "There are people who will blame him for not containing the situation, because this whole thing happened while he was in charge." But, Roberts added, "I think most people realize that the Armen were already there." Still, other analysts say that Gorbatchev, the first Soviet leader who has lived exclusively in Russian areas, has shown his impotence. These analysts, a Soviet specialist and professor at Washington's Georgetown University, said that the fighting is "a sign of his own making, and [Gorbatchev] compounded it."

Many conservative Soviets have privately criticized Gorbatchev for his refusal to take tougher measures to stamp out dissent. Before Gorbatchev's visit to Lichman, an adviser to the Central Committee's propaganda department told Moscow's *Pravda* that he was afraid he of people in Moscow who think he is letting the country fall apart. However, Jerry Hough, a noted sociologist at Duke University in Durham, N.C., claimed that Gorbatchev has deliberately avoided matters in Azerbaijan and the Caucasus to ease pressure on him. He has more radical political opponents, including powerful Supreme Soviet Deputy Boris Yeltsin, who have called for a more hands-off approach to the republic's internal affairs.

Said Hough: "He will use the national sentiment to arouse national patriotism against the radicals. There is a lot of calculation going on."

Among Western governments, Gorbatchev's decision to send additional troops to the southern republics was welcomed as a sign of Soviet unity and force, and that although they disapprove of the repression of political movements, they recognize the right to control ethnic separatism. Said White House spokesman Martin Flitner: "We understand the need

after repression. 'It is hard to interfere in the affairs of republics,'" said Vyacheslav Artyukhin, a Lithuanian member of the Supreme Soviet who is demanding that his republic become independent. "But when people are being killed, such measures are quite timely."

Even if troops manage to stop the current fighting, new problems will likely arise. Thirty per cent of Soviet soldiers came from the Transcaucasian republics of Armenia, Azerbaijan and Georgia, and they are not assigned to duties there because their loyalties are consid-



Dead Armenians in Azerbaijan: breaking down doors and forcing people out of windows

to return under where order has broken down."

The Canadian government's view, as expressed by external affairs department spokesman Mark Ettridge, was that Soviet actions "to date have been admirably restrained." He added, "in terms of preventing further blood shed, we would support the Soviet government's effort." About 600 ethnic Armenians relied outside the Soviet Embassy in Ottawa last week to protest what they termed as Moscow's slow response to Armenian deaths. The Armenians also began a relief drive in Canada to raise money for victims. "We are worried sick," said Solene Charnock, 28, an ethnic Armenian living in Montreal. "The problem is getting out of hand."

That opinion was even shared by Soviets in

ured to be surprised. And Defense Minister Ustinov acknowledged last week that outbreaks this year in the Soviet military have left it unprepared for the present crisis.

As the fighting continued last week, many Armenians were not willing to settle for an uneasy peace. Levon Ter-Petrosian, a member of Armenia's grassroots Popular Front, told Macdonald's: "Even if Moscow can somehow manage to rid us of the Armen, it will hardly be able to do the same with Azerbaijan." As Gorbatchev concluded on Saturday night: "Neither side listened to the voice of reason."

ANTHONY WILSON SMITH in Moscow with ALAMY MACKENZIE on Washington and MARY NEMETH in Toronto

## EAST GERMANY

# Frustration and fury

A violent protest rocks East Berlin

Suddenly last week, East Germany's peaceful revolution assumed a more threatening tone. Although no one was killed or injured, thousands of angry citizens stormed secret police headquarters in East Berlin, going raw to widespread fears that the country was on the brink of anarchy. The riot stirred the new Communist-led coalition government, the opposition and foreign-policy experts in the West. Known as the "Peace Revolution," it began in 1989 when citizens demanded the end of the Soviet-imposed "Glasnost" policy of openness, which kept Soviet troops in the country for almost 40 years. "A few more days of this may put us into a situation where there is no effective government there."

The storming of the headquarters was the most dramatic of a number of developments in Eastern Europe last week. In Bulgaria, the reformist government issued a warrant for the arrest of overthrown president Todor Zhivkov for inciting hostility against the nation's Turkish ethnic minority and "inciting excessive seizures of public property." The Hungarian government demanded the withdrawal of Soviet Russian troops by 1991 in the east, while in Poland, Solidarity leader Lech Walesa urged the Soviets to withdraw their troops by the end of this year. And in Romania, the National Front government announced a new constitution of a planned Jan. 26 referendum on banning the Communist party and restoring the third party.

The new government based capital punishment after the Christmas Day execution of President Nicolae Ceausescu in 1989. He was, and if reinstated, it would place the lives of a number of his former aides at risk.

But it was the mob assault in East Berlin that seized most attention. In December, the East German government had announced that it would be prepared to disarm the armed and hated secret police, or "Stasi," as they are widely known. But opposition leaders allege that the force was never disarmed—it simply went underground, waiting to erupt under a different name. And when Prime Minister Hans Modrow announced plans earlier this week to create a new security force to combat what he called a neo-Nazi threat, such suspicions appeared to be confirmed. That strong protests

free opposition groups and concerns voiced by his coalition partners forced Modrow to drop the plan.

Then, on Jan. 13, Interior Minister Lothar Altmann publicly revealed the Stasi's use and pervasiveness under overthrown leader Erich Honecker. The force had employed 85,000 agents and 200,000 informers. Altmann said in addition, 2,500 people had worked full time



Trooping on portrait of Honecker: fears of anarchy

striking open mail, another 1,800 had tapped telephones, while the Stasi had a fleet of 20,000 vehicles and an arsenal of 200,000 weapons, ranging from handguns to heavy machine-guns.

Partly as a result of these revelations, a powerful demonstration became a riot. The protest, organized by the leading opposition group, New Forum, was intended to press demands that the secret police be dismantled

more quickly. But, despite New Forum appeals for calm, the crowd, which swelled to an estimated 2,000 and 5,000 people, stormed the former Stasi headquarters in East Berlin, spraying walls with graffiti and heaving furniture and secret files out of windows. No Stasi personnel were in the building at the time, and that is probably the reason why there were no deaths or serious injuries.

Afterward, East Berlin Police Chief Dietrich Wiedrich partly blamed New Forum for the storming of the headquarters, saying that they had failed to provide enough stewards to control the crowd. But the movement's leaders denied responsibility, pointing out that they had invited Stasi in advance, calling for a demonstration. In fact, one of New Forum's leaders, Jens Riek, issued that the official media had exaggerated the incident in an attempt to discredit the opposition. Like the Communist-led interior government, New Forum leaders have expressed concern that a widespread breakdown of public order might jeopardize plans for nationwide elections in May. Some officials and observers have even voiced fears of civil war.

Meanwhile, it is apparent attempts to placate public opinion. Modrow's government announced that Honecker, who is notoriously ill with cancer of the larynx, and his former security minister, Erich Mielke, would face indictment on treason charges. But Modrow's political opponents continued. On Thursday, one of his partners in government, the Christian Democratic Union, threatened to pull out of the coalition to prevent the Communist's continuing grip on the levers of power. This, one of the three vice-chairmen of the Communist party, Dresden Mayor Wolfgang Dörphler, told a West German newspaper that he would quit the party. And on Friday, a group of Communists released a statement demanding the party's "immediate dissolution." The statement listed the names of some Communist party factions, but did not say how many members supported it.

At the same time, East Germans continued migrating to West Germany at an rate of almost 2,000 a day. Alarmed at the housing and employment problems that exodus is causing, the Bonn government tried to stem the flow by making its stringent constitutional law towards restricting the flow of new arrivals and more East Germans and West German Chancellor Helmut Kohl's Secretary Hans Thiesch, introduction was "the disease cure for this future." But it seemed doubtful that anyone could persuade fearful and suspicious East Germans to stay home and wait patiently for reasons.

JOHN HEDDERMAN with correspondents' reports



# A capital scandal

Washington's mayor faces a cocaine charge

**B**lush, ebullient but immensely popular, Mayor Marion Barry has governed Washington, D.C., for more than 11 years with considerable flair—and controversy. He has been accused of marginal financial transactions, extravagant sex and, perhaps most damaging in a city with a runaway drug problem, of using drugs himself. Barry, 53, has repeatedly denied the drug allegations. But at about 8 p.m. last Thursday, just three days before he was scheduled to announce his candidacy for an unprecedented fourth term as November municipal elections, the mayor walked into a downtown hotel room that, unknown to him, had been rented by the *Los Angeles Times* and U.S. attorney Jay Stephens. The federal prosecutor from Washington, undercover agents videotaped Barry buying crack cocaine from a female acquaintance, then analyzing it. Arraigned the following day at Federal Court, Barry faces a misdemeanor charge of possessing cocaine, a charge that

carries a maximum sentence of one year in prison and a \$100,000 fine.

The reports of Barry's arrest sent shock waves through the capital and across the country. Not only had the strict, aging operations apparently sworn one of the nation's best-known black politicians, but it may have closed the way for an even better-known black Democrat, two-time presidential contender Jesse Jackson, to run in the Democratic mayoral primary in September. Jackson, 48, who has never held elective office, moved to Washington from Chicago last year and has conducted running for mayor. But he has repeatedly said that he would not directly challenge Barry, an ally in the civil-rights movement. As Barry relinquished day-to-day control of the city to administrative Gerald Thompson, many analysts pointed to Jackson as his logical successor. Said Julius Blevins, the city's former chief lobbyist at Capitol Hill and now a senatorial aide: "This may well be the opening that many of

us have speculated Jesse was looking for."

According to Stephens, the undercover operation was part of "an ongoing public corruption probe." After agents secretly videotaped him buying and smoking cocaine at the seventh-floor room of the Vista International Hotel, Barry was arrested, dressed in a wig and sunglasses and spirited through a basement out to a waiting police van that took him to the headquarters, investigators said. There, he was given blood and urine tests that, according to the affidavit presented in court, "showed evidence of cocaine ingestion." The mayor did not enter a plea at the brief arraignment, and he was released until a hearing on Feb. 5 to set a trial date. His lawyer, Kenneth Blumsky, said that he would eventually plead not guilty.

For Barry, the cocaine arrest was the latest crisis in his roller-coaster career. A shortstopper's son from the tiny town of Ita Bena, Miss., he made his mark, often wearing colorful, African-style robes, in the civil-rights movement of the early 1960s as the first national chairman of the Student Nonviolent Coordinating Committee, which organized black voters in the South. His activism eventually led him to Washington, where he entered local politics and, as 1978, won his first term as mayor. During his three terms, he presided over extensive downtown development and became alien to many blacks, who saw a 70 per cent of the city's population shot, largely as a result of narcotics; the city has become the U.S. per-capita murder capital—438 people

were killed there in 1988, up from 372 in 1985.

At the same time, Barry was acquiring a reputation as a nightclub frequenter and as a ladies' man (he has been married to his second wife, Elna, for 22 years, and they have one son). And reports of suspicions of drug use began to surround him as well. In 1984, convicted cocaine dealer Karen Johnson, who said that she was the mayor's mistress, added that she had said him cocaine 20 to 30 times. But it was Charles Lewis, a former city employee, who provided the most damning evidence. Authorities dropped property conspiracy and cocaine-possession charges against Lewis as he was eventually sentenced to 25 months in jail in exchange for his co-operation. And law enforcement officials got what they wanted: Lewis testified under oath that he had regularly supplied Barry with cocaine for three years.

Barry's arrest cost a long shadow over his personal political life and fueled speculation about the future of Jackson. Relying on the day of Barry's arrest, Jackson, who finished second to Michael Dukakis in the Democratic presidential nomination,

said that he would have considerable pressure to run for mayor if Barry left the belt. Many analysts have said that, although Jackson's rights remain intact on the grounds, he needs to build an effective pool to strengthen his



Jackson (left), Barry: a chance for Jackson to win office

political standing in his party and nationally.

But Jackson remains in the widespread attention that he receives as a major national political figure and he might be frustrated by the relative obscurity of managing Washington

"He is happy to be thought interested in running and have his name on page 1 of *The Washington Post*," said Stephens. But, a senior fellow at the Brookings Institution, a nonpartisan Washington think-tank, "Bar's success

shows how the garbage is collected in a large metropolitan is not his strength."

Jackson may, in fact, decide to enter the mayoralty race, preferring to spend the money on a third campaign for the Democratic presidential nomination in 1992. With President George Bush's approval ratings running at a sky-high 76 per cent after one year in office, the Republicans may be almost unbeatable. In turn, many of the potentially strong Democratic contenders, including New Jersey Governor Bill Bradley, may not enter the 1992 race, opening the way for Jackson to grab the nomination. He would be able to start a campaign very short with his savings from a syndicated TV talk show to be aired later this year. That, said Thomas Mann, director of governmental studies at Brookings, "affirms the promise of both visibility and remuneration and allows him to be the first spent that he expects." For Barry,

however, even if he runs for mayor again, the next few months promise only major agony.

HELENE MACKENZIE in Washington

# It's a new world. And we're the airline that's flying it.



The corporate world has undergone significant changes of late. The new fit of Wardair service with the Canadian network is perfectly suited for business. Try us.

**Canadian**

Our world revolves around you.

# CLEANING UP A CHEMICAL SOUP

During his varied career, Louis Scheinhardt has been a mathematician, a computer scientist, a farmer and a businessman. Now 40 and retired, Scheinhardt lives near the northern Alberta town of Athabasca. Recently, he has become an ardent environmentalist and leader of a citizens campaign to prevent Alberta-Pacific Forest Industries Inc. from building a \$1.3-billion pulp mill complex on the Athabasca River. Scheinhardt leads a growing number of Albertans who say they believe the mill would cause irreversible damage to the river, which provides drinking water and supports a native fishery, and he believes to be swept by the company's promise of 1,100 direct jobs. Across Canada, similar concerns about the environmental impact of the pulp and paper industry have forced Ottawa and several provincial governments to draft new regulations to control the industry. Still, Scheinhardt says that government's recent concerns for the environment may be enough. He added, "We do not think that any industrial process should be allowed to discharge any amount of dangerous chemicals."

Although the \$28-billion-a-year pulp and paper industry is one of Canada's largest employers and a vital export industry, it also has a reputation for being a major source of water pollution. For this part, many senior industry executives contend that there is no conclusive scientific evidence to prove that pulp and paper waste products cause any damage when they are dumped in rivers and lakes.

They also say that the new federal and provincial regulations could result in plant closures, job losses and a less competitive industry. Said John Zimmerman, chairman of Toronto-based Noranda Forest Inc., "A lot of people have been engendered that is not justified by the facts."

But environmental activists and federal government biologists say that the waste products from the country's 346 pulp and paper mills cause as many as 1,000 different chemical compounds, known collectively as organochlorines. John Valletsky, a biologist with the federal department of Fisheries and Aquaculture and Canadian chairman of the Great Lakes Science Advisory Board, said that research has shown

## OTTAWA PLANS A NEW CRACKDOWN ON POLLUTION FLOWING OUT OF CANADA'S PULP AND PAPER MILLS

that some of the chemicals cause birth defects, abnormal behavior and in some cases death in animals. But well over half of the compounds have never been identified or studied. Said Valletsky, "Some of the things in this waste are extremely potent, and there are lots of



Zimmerman: 'A lot of panic has been engendered'

other surprises in there waiting to be identified." Pulp and paper executives staunchly defend their previous efforts to clean up their operations. They add that criticism of the industry is drastically exaggerated. Louis Fortier, director of public affairs with the Montreal-based Can-

ada Pulp and Paper Association, says that the industry will spend \$1.2 billion over the next three years to drastically reduce organochlorines in its wastes. And Oscar Stuegeland, president and chief executive officer of Montreal-based pulp and paper company Stone Consolidated Inc., said that such concerns have been identified solely by environmentalists, politicians and the public for dumping drums and dums, which are believed to cause liver and kidney damage.

Stuegeland also says that research in Canada and the United States has shown that unsorted garbage incineration, volcanoes and even wood-burning fireplaces are the same sources of dums. He claims that the Canadian pulp and paper industry is responsible for only one per cent to three per cent of all the dums released annually into the environment. "Let us get 99 per cent off the spotlight," he adds. "The big boy gets to be the whopping boy."

Federal Environment Minister Lucien Bouchard earlier this month responded to the growing public concern about pollution by undertaking to cut dums output by new rules to encourage or substantially reduce the number of potentially hazardous chemicals in pulp and paper waste. Steven Wilson, associate director of industrial programs for As-



## Newspaper production in Trois-Rivières: the cost of new rules will be high

recently Canada, said that officials will try to have regulations and guidelines drafted and published by the spring. She added that the rules will call for the phased reduction of organochlorine production over a four-year period and that Ottawa will work closely with the provinces—especially Quebec. Bouchard and British Columbia, all of which have also proposed new rules—to ensure that consistent standards are applied across the country.

For company managers, the provincial regulations have already provided a clear signal of what will be expected of the industry. Fortier said that, by 1994, the industry expects that most waste will be prohibited from dumping more than 2.5 kg of organochlorines per ton of production. And new mills, and those located on small rivers and lakes, may be allowed to dump only 1.5 kg per ton of production. By comparison, some plants in Canada now dump up to 10 kg per ton of production, and B.C. mills are dumping an average of seven kilograms per ton.

Senior executives have already begun to calculate the cost of complying with new regulations. Noranda, which owns or operates 11 mills in Canada—in New Brunswick, Quebec, Ontario and British Columbia—estimates that it will have to spend \$400 million by 1994 to meet new federal and provincial waste control standards of 1.5 kg of organochlorines per ton of production. Company spokesmen say that cost may be high. Said Zimmerman, "There are some mills in Canada that may not be here in five years."

West Coast executives add that cleaning up

the environment will prove expensive for both industry and consumers. Ronald Whelan, vice-president of environmental affairs for Fletcher Challenge Canada Ltd. of Vancouver, which employs 12,800 people, and that in early 1989 the company decided to launch a cleanup of its own, rather than wait for the new levels of government to issue regulations. Fletcher Challenge committed \$20 million to solving waste problems at its three B.C. mills. Whelan said that his firm and other companies will pass on some of the costs to consumers in the form of higher prices for their products. He also warned that the cleanup will strip the financial resources of many companies. "Money spent on environmental projects reduces the amount of money spent on maintaining existing equipment and other new projects," he added.

Still, at a time when the industry is facing increased public scrutiny, and sometimes hostility, across Canada, a potential major pulp mill paper boom is occurring in Alberta. Since 1987, the Alberta government has sold cutting rights to 44,500 square miles of its northern forests, an area almost as big as Great Britain, as part of a campaign to diversify the provincial economy. Currently, seven pulp plant expansion or new mills worth a total of \$3.4 billion have been proposed or started. The projects will create an estimated 43,000 jobs and generate annual sales of \$3 billion within five years.

Alberta's boom developed quickly, and virtually without disruption from environmental debate, until the government vetoed a huge tract of land to Alberta-Pacific Forest Industries Inc. The Japanese-controlled company received

## Business Notes

### BANK RATE DECLINES

In a move that many economists say signals the easing of the current high-interest-rate policy, the Bank of Canada lowered its lending weekly bank rate by more than a quarter of a percentage point to 12.1 per cent from 12.43 per cent. The relatively large drop put the rate at its lowest level since March, 1984. Bank of Canada governor John Crow had been maintaining that the high bank rate was necessary to control inflation. Last week, Statistics Canada also reported that the nation's inflation rate fell to 2.1 per cent in December from 2.2 per cent the previous month.

### TRADE BALANCE IMPROVES

After experiencing the first deficit in 13 years in October, Canada's merchandise trade balance rebounded in November to register a \$679-million surplus. Still, economists expect that the quarter's balance was a result of a negative factor—exports falling by \$1 billion to \$5.8 billion, an indication of slowing economic growth and weakening consumer demand. In the United States, the monthly trade deficit widened to \$15.3 billion in November, its worst showing in 11 months.

### MORE LAYOFFS AT GM CANADA

General Motors of Canada Ltd. announced that it will extend for two weeks the temporary layoff of 2,500 assembly workers at its full-size-iron plant at Scarborough, Ont., starting on Jan. 22. The company also laid off 600 workers at its Oshawa, Ont., plant that it may lay them off sometime over the next month.

### SPRING GREENHOUSE CLOSES

Colud Products Inc. announced that it will close its cucumber and vegetable greenhouse near St. John's because there is not enough daylight to sustain the controversial project, build \$400,000 in production space. The greenhouse—which employs about 30 workers and was to supply the vegetable markets of Eastern Canada—was built in 1987 by Calgary businessman Philip Spragg. Colud bought the facility six months ago for \$1.

### NEW CHAIRMAN AT BMO

Matthew Bennett, 43, was named the new chairman of the Bank of Montreal at the bank's annual shareholders' meeting in Montreal, replacing William Muldoon, who served as chairman for 15 years. Bennett, one of the youngest chairmen of a major international bank, has served as chief executive of the bank since last July.

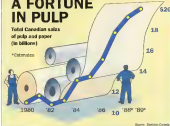
cutting rights in an area equivalent to 10 per cent of the province's land base. In September, 1988, before the project had been officially announced, Scheuermann and a group of friends formed Friends of the Athabasca to prevent construction of the second mill, which they said would put too much stress on the environment. They circulated petitions, and eventually collected 15,000 signatures from across the province, demanding public hearings on the environmental impact of the project. Saul Scheuermann: "We live near a world-class wilderness area that is clean and relatively pristine. The government is proposing to put five mills on this river."

Last July, after being pressed by the federal government, Alberta Environment Minister Ralph Klein ordered a hearing on the potential impact of the Alberta-Pacific project on the Athabasca River. Over the course of the hearings, which lasted 11 weeks before concluding on Jan. 15, the eight-member board received 480 written submissions, and oral evidence

## A FORTUNE IN PULP

Total Canadian sales of pulp and paper (in billions)

\*Estimates



Source: Statistics Canada

that ran to 8,000 pages. Both the Alberta and federal environment departments attracted the company's 546-page environmental impact assessment, which the Alberta Model Association described as "pseudoscientific." By late February, the board is expected to issue a decision on whether the mill should be approved.

Despite the growing public opposition to the

mills, Alberta Forestry Minister LeRoy Rorbertson maintains that his province's environmental standards are among the toughest in the world. He says that the new mills proposed for Alberta cannot dump more than one kilogram of organochlorine compounds per ton of production. Said Rorbertson: "No one wants to sacrifice the environment for jobs."

That has become a familiar refrain among pulp and paper executives across Canada who say that they closely share the public's concern over the environment. But some of them admit that government regulations have to be based on accurate scientific information about the stream of pulp and paper waste products. Said Drummond: "I don't think this or any other industry wants to be stampeded into being a superevil." But he concedes others and environmentalists the "superevil" is a very real issue.

BY ANNE BENTON with PAUL BIGGERS in Edmonton and DAVID TUGG in Toronto

## FINALLY, SOMEBODY'S TREATING LEFT-HANDERS RIGHT.



**ANNOUNCING THE YASHICA SAMURAI Z & SAMURAI ZL**

O.K., workpayers, admittedly it's been a long time coming (in to 30 years). But now it's here: The Yashica Samurai Z-L. The world's first left-handed 35mm SLR camera.

Meanwhile for the rest of you, there's the Z-L's mirror image—The Samurai Z. (Now you know what the "L" stands for.)

Both left- and right-handed models are available (2 1/2" x 4 1/2" x 4 3/4") and lighter (16 ounces) than their predecessors. And like the original Samurais 3X & 4X, their Double 35mm format gives you twice as many pictures from every roll of film.

What's more, they have a 3X power zoom, automatic focusing, programmed auto exposure, and pop-up flash.

They also have a few surprising special effects modes: multiple exposure, gamut (5) exposure, high-speed (up to 4.5 frames per second) continuous shooting, and an intervalometer setting for automatic exposures timed from ten seconds to 24 hours.

Remember the names. The Samurais Z for most of you. And the Samurais Z-L for every one who's left.

**VACATIONCASH**  
Air Canada Tourist

For a limited time... with the purchase of any Samurais... income up to \$300 off your next Air Canada Vacation... See your dealer for details.

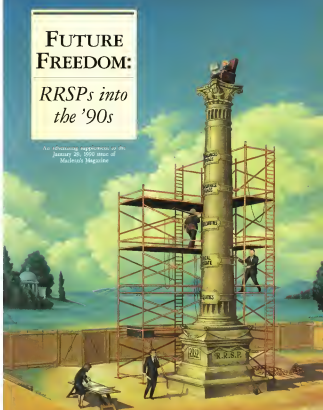
For complete information on Samurais call:

**1-800-SAMURAI**

Kyocera Canada Inc.  
7470 Bala Rd., Mississauga, Ontario L4T 1L2  
Tel: (416) 675-0300 Fax: (416) 671-3146

## FUTURE FREEDOM: RRSPs into the '90s

An interesting approach to the January 28, 1990 issue of Maclean's Magazine



**I**t's becoming increasingly obvious to most Canadians that income from RRSPs is a real necessity to ensure a reasonable lifestyle when we retire. Along with your principal residence, your RRSP is your next important investment.

RRSPs, after all, are just about the only tax shelter around any more for earned income. More importantly, the government has made it clear that it does not have the resources to fund our retirement; it has raised the limits of how much we can contribute to our new RRSP up to \$13,500 by 1993, legislated clawbacks on Old Age Security, kept personal tax rates high, and intends to implement a Goods and Services Tax. As Peter Volpe, national director of financial planning services for Central Guaranty Trust, and president of the Canadian Association of Financial Planners, points out, "It's clarify the government's intention to put the onus more on the individual to provide pension plans than the government programs. There's more of an emphasis on taking care of yourself."

## Trends in the RRSP business

Today's strong investors are becoming increasingly sophisticated, and taking far more and better advantage to put into their RRSPs. People today are reading more, and paying more attention," confirms Paul Breen, president of Maclean Boscawen, one of the largest discount brokerage in the country. "They want information, as opposed to advice."

When the past few years' constant demand has persuaded almost every major financial institution to come out with a range of at least five RRSP-eligible mutual funds—bond, equity, money market, foreign investment (which you can buy up to \$5000 a year) and balanced.

*Paul Breen, president of Maclean Boscawen Financial Services Inc., in Toronto.*

Once your RRSP has given you \$10,000 it is able to invest in stocks in your contribution limit every year. It's their worth to invest in your RRSP will eventually start earning more than you put into it every year. At this point, the rate you invest when you make a contribution is directly in proportion to the interest earnings you get for giving for you made your RRSP. You can really start to grow quickly. And there when you want to achieve

funds—a addition to the usual fixed-income investments.

Frank Strickland, president of Fincos Securities Ltd. mutual funds in Toronto, thinks that RRSPs could eventually become the preferred pension plan through the marketplace, too. In the old days, he points out, when you left a company, you were told, "Come back when you're 65 and we'll give you a pension." Now the employees have become so much more mobile, though, they want to take the control of their pension plans with them, and they can roll

them over into a locked-in RRSP too.

Furthermore, the usual defined benefit pension plan—where employees eventually get a pension based on the final earnings and years of service—doesn't satisfy all people. Eugene Scarsdale, "The employee never knows what he was going to get upon retirement. How could he know if he's only 35 years old?"

Increasingly more workplaces, he says, will replace their defined benefit pension plans with group RRSPs. You'll contribute a defined sum, say 5 per cent of your income matched by 5 per cent from the employer, into a choice of four or five funds. And you'll actually own those assets from day one. You'll be able to calculate the value of your pension benefit today, and take it with you if you leave the company. This makes sense from the employees' point of view, too. Many



employees want to have a say in the investments that will affect their retirement lifestyle. The car you drive, the house you build, the boat you launch. They all depend on how well you weigh your options now.

**E**very year at about this time, Canadian investors race through their RRSP money options. Bonds? Stocks? Or perhaps, the easy way out, run it down to the bank. As long as you've put that money away right? Wrong.

The long-term difference between various RRSP-eligible investment vehicles will affect your retirement lifestyle. The car you drive, the house you build, the boat you launch. They all depend on how well you weigh your options now.

ALICE, we're committed to giving smart investors the high performance investment vehicle they need today to make these retirement goals a reality tomorrow.

We believe that successful investing is a matter of balance. You need the appropriate mix of cash, bonds, and stocks to reduce variability and increase returns.

But, how do you decide on asset mix? And, when should your asset mix change?

In the past, no single Canadian investment vehicle has been able to offer a solution to these problems. Some money managers have been



**THE INVESTMENT VEHICLE YOU CHOOSE NOW COULD AFFECT THE ONE YOU DRIVE DOWN THE ROAD.**

good at short-term answers, but none have offered a viable plan for the down the road. That is, until now.

The AGF Asset Allocation Advantage offers a proven system of deciding on and changing the asset mix of an individual's portfolio. It employs our AGF Canadian Equity Fund (stocks), our AGF Canadian Bond Fund (bonds), and our AGF Money Market Account (cash).

The whole package is driven by a proprietary computer-based Asset Allocation model. A tremendous performer, it constantly calculates expected rates of returns for cash, stocks, and bonds, comparing current assets



P.O. Box 10, 100-1000, Toronto, Ontario M5H 1B9

This advertisement is not to be converted to a public offering. The offering is made solely by the prospectus, which contains details of all charges. Copies of the prospectus may be obtained from an authorized dealer (Mutual Fund Dealers) or AGF Management Limited. Please read a prospectus carefully before purchasing and only if you are a resident of Canada.

The following are the names of every person or company having an interest, either directly or indirectly, to the extent of not less than 5% in the voting capital of AGF Management Limited, Charles Wilson Goldring and William Robert Marquand.

relationships to the performance of the plan.

As deviations occur, the model points out which investments are currently deviating positively and which investments aren't. The relative returns of one investment versus another, tells how best to weight your assets for long-term growth.

Although no model is perfect, we've tracked this one through good markets, bad markets, high stock prices, low stock prices, and high and low interest rates. Results were consistently superior, with steady returns, and without the volatility often associated with investments in a single asset type.

We believe that by employing our management expertise, complete with the AGF Asset Allocation Advantage, you have a tremendous opportunity. One that offers long term growth you wouldn't be able to get from any other RRSP investment vehicle.

For more information on the AGF Asset Allocation Advantage, call 1-800-387-1780. Or speak to your independent mutual fund dealer or stockbroker. It'll affect your lifestyle down the road.

## How money can grow inside your RRSP

That's because money in an RRSP's tax-sheltered environment can grow phenomenally. Over many years, the magic of compounding interest can turn even relatively small contributions into a hefty retirement fund.

Two theoretical scenarios illustrate this point dramatically. Just as Early contributed \$2,000 at the beginning of each year, let's RRSP for only eight years—then age 17 up to and including age 26. Michael Lutz is a co-owner, contributed \$2,000 at the beginning of each year for 10 years—then age 27 up to and including age 35. Even though both RRSPs earned 10 per cent compounded annually, Early's \$16,000 contribution earned \$1,049,160 by the end of the year he turned age 35. Lutz's \$76,000 contribution, in contrast, earned considerably less—\$800,180.

Early's eight-year pension enabled him to increase his contribution 66-fold, while Lutz's contribution increased 10-fold.

It's important, of course, to seek out the best possible return for your RRSP dollars too. In a tax-sheltered environment, even an additional merge return of 1 per cent/year over many years will make a huge difference in the number of dollars your plan will be worth by your retirement.

## The importance of diversifying within your RRSP

Don't be like many Canadians, who, like Sam Grigori, are "very conservative, but they want to gamble, too. They always invest in some particular concern of a GIC and a penny stock."

Most financial experts agree that diversification is essential within an RRSP.

A well-diversified portfolio will

automatically cushion downturns in prices; you avoid changes in economic and social conditions. You want to be in a position where you'll benefit in some degree no matter what happens.

Investors who had a balanced portfolio were able to weather out even such dramatic events as Black October. "Yes, the equity side of their portfolio took a beating," advises Jane Riley, manager of investment and professional banking at The Toronto-Dominion Bank. "But at the same time, the bond market took off. So their fixed income investments kept their whole portfolio from dropping as much as it would have otherwise."

Most people start building up their RRSP portfolios with fixed-income assets, like bond funds, mortgage funds or GICs. Over time, you've passed the \$10,000-\$15,000 mark, a probably time to consider growth investments, like mutual or equity funds. By the time your RRSP assets reach \$25,000, consider contributing there into a self-administered RRSP. That will give you flexibility

a greater range of investments, and convenience (all the administration is done for you).

## Getting a good asset mix

The secret lies—how much you put in stocks, bonds, mortgages and so on—or at the most critical decision you can make. The decision where to invest for 30 per cent of an investor's assets over a long period.

Gordon Page, a financial author and broadcaster, has just new book, *Gordon Page's 1990 Guide to RRSPs*, published by Prentice Hall Canada Inc.

Here are seven steps I recommend to maximize your RRSP:

1. Invest only in things you understand.
2. Diversify your plan.
3. Invest for the long term. Don't constantly move investments around.
4. Keep your fees low. Pay as little as possible in commissions and sales charges.
5. Don't worry too much about how much money you have.
6. Maximize the effect of compound growth by investing early.
7. Pay attention to your investments. Don't just give your money into your plan and forget about it. That's not Murphy's money. This is your future.



Gordon Page, a financial author and broadcaster, has just new book, *Gordon Page's 1990 Guide to RRSPs*, published by Prentice Hall Canada Inc.

of time. In other words, explain investment casualties. Martin Whelan, president of Loring Wood Investment Counsel Ltd. in Winnipeg, the specific investments that you put into each year can only be about 30 per cent impact on your chosen return."

The ideal asset mix for your RRSP depends on many factors. For one thing, how old are you? "Before, interest and changes in interest rates should be major cycles to an RRSP investor," explains

author and broadcaster Gordon Page, author of the book *Gordon Page's 1990 Guide to RRSPs*. And the packages you use, the more expensive that is. If you invest properly, they're going to put your money from a modest 10-11 per cent to a much more acceptable 12-14 per cent.

As you get close to retirement, you should be gradually on the way towards fixed-income and even-risk investments. But you shouldn't eliminate growth investments entirely. After all, inflation is still working at an undisturbed pace in your



# SOMETIMES THE LESS SAID ABOUT RRSPs,

This time of year, many words are said—and written—about RRSPs.

Unfortunately, most of these words are intended to obscure or, at least, minimize inadequate results.

At Mackenzie Financial Corporation and The Industrial Group of Funds, we are big believers that an RRSP demands a long-term commitment. And that your RRSP investment decision should be based on solid long-term needs.

Which is why we proudly display in this advertisement the 22-year record of Industrial Growth Fund. (One, we should add, to other Canadian mutual fund companies.)

We think it's best proof of the saying that less is more. Particularly when it comes to RRSPs.

For more important information on the subject, speak with an independent investment fund dealer or ask us the coupon below.

**Industrial Growth Fund's Record — 1 year: 26.2%, 3 years: 23.8%, 5 years: 13.8%, 10 years: 25.6%, 25 years: 17.2%, 30 years: 17.6%, since inception: (22 years) 17.6%. All figures are average annual compound returns on November 30, 1989 based on the net amount invested and including reinvestment of dividends. Offer made only by prospectus.**

## Mackenzie

The Industrial Group of Funds

12. Please fill in name and send to: Industrial Growth Fund and return the enclosed RRSP coupon to: The Industrial Group.

NAME	DATE	PHONE
ADDRESS	CITY	PROVINCE
TELEPHONE	Business	Home
Mail to: Mackenzie Financial Corporation 126 Silver Star Road, Toronto, Ontario M5S 1S5		

**I**n general, if you're relatively young, first consider which investment is going to bring you the best return.

spending dollar when you turn 55.

Age isn't the only factor you need to weigh when determining the most money that's right for you. You need to also consider your risk tolerance, your level of income and your other assets, as well as your personal circumstances. Over the past 30 years, investors have gotten the highest risk/return ratio by putting 15 per cent of their money into the money market, 40 per cent in short- to mid-term bonds and 40 per cent in equities. But these strategies may not apply to you.

Take, for example, stocks that sold for 10 in 1980 and early '90s, a goal that would be 30-40 per cent in a year or so of which 10 per cent could go into a strong Canadian mutual fund that invests in foreign securities, 30-40 per cent in government bonds or bond funds ("The yield is comparable to Canada Savings Bonds, plus there is some opportunity for appreciation"), 10 per cent in money funds or short-term fixed income securities, and 30 per cent in cash.

Windsor, pre-retirement financial planner Keith Goodland, director at Chicago Bureau Ltd. brokerage firm, on the other hand "would never have any RRSP with anything 50 per cent or more in a long-term type investment. And if someone's in their 60s, as much as 85-90 per cent of their portfolio should be income-bearing—we try to diversify the equity and know what the value is going to be when they retire." He thinks the rest of the portfolio can go into equity-based mutual funds, including 10 per cent into a U.S. mutual fund.

## Looking at your entire asset picture

Your RRSP and your other savings are not two separate pots of money. They are both part of your total financial picture.

Conservative and moderate funds that you should keep your capital gains and dividends outside your RRSP, where you can enjoy their tax advantages, and put income-

### RECOMMENDED RRSP COMPONENTS BY DIFFERENT AGE

For those aged 25-49

Equities (60-60%)

Fixed income (30-40%)

Cash (5-10%)

For those aged 50-59

Equities (40-50%)

Fixed income (40-50%)

Cash (10-20%)

With five years or less to go

Equities (20-30%)

Fixed income (50-60%)

Cash (20-30%)

yielding investments, which are fully taxable, outside your RRSP. The experts all think there's a place for equities in your RRSP, though.

For one thing, many people don't have enough money to buy substantial capital gains-eligible investments outside their RRSPs until they're 55 or 60.

For another, the government is giving increasingly generous incentives for using all our sources of investment income. After the \$100,000 of first capital gains tax is excluded, 25 per cent of capital gains was taxable in 1988. And in 1990, 75 per cent is taxable. And many investors have already used up their capital gains retirement freedom.

Obviously, if you're close to retirement, it is a good idea to enjoy your dividend tax credit and to put capital gains tax advantages primarily.

In general, though, if you're relatively young, first consider

which investment is going to bring you the best return. If you can earn a big capital gain on your RRSP when you're 55, you can risk only mutual property tax on it until you close it out. You're entitled to keep building up your RRSP until December 31 of the year in which you turn 71, but you can also keep earning your profits for all those years.

You don't want to use your RRSP to hold speculative stocks, though. That would be gambling with your future.

### How often to evaluate your portfolio

You should be prepared to set your money up to pay your RRSP for the long term—think years, not just your retirement. But it's a good idea to evaluate your RRSP portfolio quarterly. You may not make any changes in it, but you'll have a clear idea of what's going on.

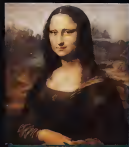
You should be prepared to re-evaluate your capital gains tax credit at least once a year—more often if economic conditions, legislation or your promises change. This is the best way to ensure that you realize profits on assets that have appreciated in value, and buy assets that have dropped in value, at good prices. If the market begins to rise, for example, take your profits throughout the rise, to ensure that you're maximizing your capital gains tax credit.

Also available at Monarch Brokerage Discount Investment Services.

\*The FuturLink Mutual Fund Series is not an investment in itself. It is a collection of individual mutual funds. Each fund is managed by a separate investment manager. The FuturLink Mutual Fund Series is not insured by the Canadian Deposit Insurance Corporation or any other government deposit insurer. It is not a deposit in a bank or a credit institution.

CENTRAL GUARANTY TRUST COMPANY

# Quality appreciates.



## FuturLink Mutual Funds from Central Guaranty Trust. The Art of RRSP Investment.

True quality is found only in assets which increase in value over time.

The FuturLink family of six no-load mutual funds from Central Guaranty Trust Company can make your Registered Retirement Savings Plan a work of art.

Our superior knowledge of the art of investment can paint a performance picture exhibiting long-term value and excellent growth potential.

And our eye for quality investments has produced masterful results: a 22%\* one-year return on the Canadian Growth Fund.

Add the flexibility of no-cost transfers between funds, and you have an RRSP that stands the test of time.

The FuturLink Mutual Fund Series.\*\* Making your future a financially planned masterpiece.

## Those who appreciate quality, know quality appreciates.

\*Based on returns to December 31, 1991. \*\*The FuturLink Mutual Fund Series is not an investment in itself. It is a collection of individual mutual funds. Each fund is managed by a separate investment manager. The FuturLink Mutual Fund Series is not insured by the Canadian Deposit Insurance Corporation or any other government deposit insurer. It is not a deposit in a bank or a credit institution.

## Advantages of selected RRSP investments

### EQUITIES

Equities (publicly issued stocks) have outperformed just about any other means of investment over the long term. And, as Montreal press-on accountant Stephen Janowicz, president of Janowicz, Fraser & Company Ltd., investment counsel says, "If you look at whole-business risk in life, it's usually those who invest over a period of time."

Why have equities always been an inflation hedge? Companies meet their prices when there's inflation, so even when they are profitable. And you get a share of company profits when you buy shares in equities. The value of a good business will go up.

If you've got the time and expertise to manage your RRSP wisely, then you could probably maximize your return in equities by investing directly in common stocks and real estate funds. You could even use yourself 70-80 per cent in common stocks on the stock market by buying and selling through a discount brokerage. The trouble is, you have to have at least 15 trades due to the subject to individual company fluctuations. For most people, the safer way to invest in equities is to spread the risk through one to three good quality mutual funds.

Most major financial institutions now offer a family of mutual funds including domestic common stock funds, foreign common stock funds, bond funds, money market funds, mortgage funds, or specialty funds. If you decide to change your own mix, you can move from one fund to another in the options at a very low cost.

### REAL ESTATE MUTUAL FUNDS

Real estate funds, which invest in a variety of buildings, are definitely in the low-risk end among mutual funds. According to the Marginal Property Index—an analysis of the returns on property bought on behalf of pension funds—and estate accountants from Ontario, 1972 to October, 1989 was 15.7 per cent.

Like an individual real estate investment, a good fund appreciates over time, and provides real income along the way. Nevertheless, they are not as liquid as other types of mutual funds. Most require at least a month's notice before you can cash in your shares.

*Stephen Janowicz, president of Janowicz, Fraser & Company Ltd., in Montreal, which manages \$1.1 billion in pension and private funds. His newly begun managing share of the new Funds which has been named Janowicz Private Funds.*

I've never lost money when the stock market was going to go down. I'm not even going to worry about the fact that the market goes up or down but absolutely in confidence in it.



### INTEREST BEARING SECURITIES

Income-producing vehicles, like Government Investment Securities (GICs), term deposits and savings accounts, provide guaranteed returns with a fixed period of time.

Most financial institutions offer vehicles like GICs, points out Winnipeg investment counselor Wendy Lee. By buying government treasury bills, commercial paper and bankers' acceptance notes, and then selling them to their customers,

you can usually get far better rates if you buy these investments directly.

Likewise, GICs yield a relatively lower return, but an advantage for liquidity. And if you want liquidity, you'll do better in money market funds, which invest in treasury bills and other short-term notes. Over the longer term, you'll get a better return by investing in Government of Canada bonds and long-term GICs. And if you want to lock in a guaranteed return rate for 30 years, buy stripped bonds.

To protect yourself against interest rate fluctuations over time, it's a good idea not to have all your money bearing when the rate goes down in one year. "Remember your investment financial planner. It's a good idea to have a mix of investments that you have

money coming due in two, three, four and eight years." "We go just a bit longer on eight years just to cut them a discount that goes on for a time."

### LIFE INSURANCE DEREGULATED FUNDS

The regulated funds that life insurance companies offer include the full range of mutual fund products, including government bonds, money funds, and diversified funds. Some funds even allow you to park your own money into investments 10 percent at which time they guarantee you 75 per cent of your principal back. In other words if you invest \$10,000, the law says you'll withdraw on that date at \$7,500. Not that that's likely to happen. According to studies from The

## We Have A Lot Of Answers About Deposit Insurance.

1. Membership is limited to banks, trust companies and loan companies.
2. The maximum deposit insurance is \$60,000 per person in each member institution. Deposits are not insured separately in each branch office of a member.
3. A depositor may be an individual, an association of individuals, a corporation, an association of corporations or a government.
4. Insurable deposits include Canadian currency savings and chequing accounts, term deposits, i.e. investment certificates, guaranteed investment certificates and debentures (other than bank debentures), drafts, travellers' cheques issued by members and money orders.
5. Separate insurance, to the \$60,000 maximum, applies to joint deposits, trust deposits and insurance deposits held in registered retirement savings plans (RRSPs) and registered retirement income funds (RRIFs).
6. The maximum insurance for insurable deposits held in RRSPs or RRIFs is \$60,000 for each type of plan. These are separately insured from any other deposits a person may have with the same member.
7. Canada Deposit Insurance Corporation (CDIC) does not insure all deposits and investments offered by members.
8. Deposits made with provincially incorporated members in the Province of Quebec are guaranteed by the Quebec Deposit Insurance Board (QDIB) and not Canada Deposit Insurance Corporation (CDIC).
9. Deposit insurance does apply to insurable deposits made with a member that are purchased through agents, financial consultants or brokers.
10. CDIC does not insure foreign currency savings and chequing accounts, debentures issued by a chartered bank (other than bank debentures) issued by governments and corporations, Treasury bills and investments in mortgages, stocks and mutual funds.

## We're Just Waiting For Your Questions.



We're the Canada Deposit Insurance Corporation. We insure eligible deposits made with member financial institutions.

If you'd like to know more, give us a call at 1-800-267-1999. Or, pick up a brochure at your bank, trust or loan company.

**CDIC**  
1-800-267-1999

E

quities

are the best protection against inflation over the long term—ones that will fare the least badly are real estate and commodities.

*Financial Post*, life insurance funds consistently show up among the top six performers among equity mutual funds. They have another advantage: assuming that your beneficiary is your spouse, children or grandchild, real estate funds stand out as money builders you may want to plan for. They're diversified and don't depend on the performance of any one stock or bond. The portfolio manager decides how much of each goes in.

### 3 BALANCED FUNDS

If you want to get the benefits of a conservative mix of income you know you can rely on as well as some growth potential, all in a single investment, then balanced funds remain both stocks and bonds. The portfolio manager decides how much of each goes in.

## What to do to protect against specific market conditions.

### 4 INFLATION

Equities, of course, are the best protection against inflation over the long term. The ones that will fare the least badly are real estate and commodities.

Don't forget that during inflationary times, a mortgage rates tend to rise. Real estate investment vehicles are a common way to protect an investment in the event of an inflationary period. However, note author Gordon Page, we make cash in a more or less steady fashion over your four-year term, which is why these rates should be high.

Most real estate investment funds offer the potential for growth and income. However, they have an overall average return of 10%.

Early in a recession, interest rates are likely to rise or even fall. If it's a good opportunity, then, TD Bank's Equity, or Equity

### 2 REVENUE

Revenues are short-term. And your RRSP is for the long term. So you may not need to make any changes in your RRSP just because we're in a recession. However, if you're not sure, you may want to consider having a word with your RRSP as a few tips, here are a few things to consider.

At the outset of a recession, corporate earnings start falling, so equities take a beating. What can everyone around you think is the end of the world? advises Page. "When you hear nothing but doom and gloom and disaster, it's time to gradually start buying money into the stock market. You'll be able to pick up stocks at a bargain rate

versus the level funds, or relatively high rates of interest. But the long-term rates, and hope they'll hold you through. As the recession takes hold and corporate earnings start falling, the value of your bonds should be increasing. Because profits in the banking sector of the economy

### 5 INTEREST RATE FLUCTUATIONS

When short-term rates are higher than long-term rates—usually indicative of an economic recovery—you can hold a slightly higher cash position in your RRSP. Once longer-term rates become more attractive again, you can cash in when you've bought and received it for the longer term.

### MAIN TYPES OF INVESTMENTS ELIGIBLE FOR RRSPs

#### GROWTH

Common stocks  
Equity mutual funds  
Balanced mutual funds  
Real estate mutual funds  
Private mutual funds

#### INCOME

Canada Savings Bonds  
Fixed funds  
Corporate and government bonds  
GICs and term deposits  
Savings certificates and bonds  
Mortgages  
Money market funds  
Preferred stocks

#### CASH

Savings plans  
Money market funds  
Treasury bills

Avoid companies in cyclical sectors like metals, newspaper and chemical stocks. Avoid Montreal's J.A. Franchet. They are the most likely to decline or go bankrupt. Companies that may be adversely affected by a recession include those in the drug sector (The use of drugs and disposable income in the decrease of medicine is feared in the recession), and banks.

Early in a recession, interest rates are likely to rise or even fall. If it's a good opportunity, then, TD Bank's Equity, or Equity

### 4 DROPPING INTEREST RATES

Take advantage of good news in relatively long-term fixed-income investments, like bond funds, mortgage funds and savings bonds.

### 5 RISING INTEREST RATES

Get back on long-term fixed-income investments, and take advantage of shorter-term high interest rates in treasury bills, which come out every week, and money market funds, whose average return is 5.5-10 days. An investment in money market funds means, the fund will buy when interest is the highest and it can participate in the gradual increase of interest rates.

# Step Up To Real Money.



## With our one-of-a-kind tiered Money Market Savings RRSP.

Until now you've had to sacrifice high interest to get liquidity in your RRSP savings—but not anymore!

### INTRODUCING the Tiered Money Market Savings RRSP!

You'll really see your savings grow, because each time you reach a new tier, we'll raise the interest rate. Your interest is calculated

daily, and paid monthly.

While you're earning high interest, your funds are fully liquid, so you can take advantage of a good RRSP investment when the opportunity arises. There are no annual fees on the Tiered Money Market Savings RRSP, so you'll save every penny you earn.

Come in today and step up to real money, with the Tiered Money Market Savings RRSP.

Ask about our **1/2% Special Bonus RRSP GIC**.  
**NATIONAL TRUST**



## General rules to help you maximize your RRSP

### 1. USE SPOUSAL RRSPs

To maximize your tax burden upon retirement, you and your spouse should aim to balance your retirement income between you, per se, and Don Nilson, principal with the Vancouver-based Nilson & Co. accounting firm. If you spouse has no employment income or is unable to or not to make RRSP contributions, the working spouse should contribute to a spousal RRSP. Likewise, if you are over 71, and your spouse is under 69, consider for either other spousal contribution.

You are entitled to put any amount of your RRSP contribution toward the earned income of a spousal RRSP. However, if your spouse makes a withdrawal from his or her spousal plan, it will be treated as your income to the extent of any spousal contributions made in the year he or she withdrew, or the previous two years.

### 2. COORDINATE EARLY AND KEEP YOUR PLAN GOING

Make your contribution at the beginning of the year, to maximize the length of time your money can compound tax-free. If you are 21, you are a good of making periodic contributions during the year, rather than getting to the March 1 deadline, and then scrambling around for money.

Plus you to convert your RRSP and you get to age 71. If you need cash before then, use a loan rather than a withdrawal.

### 3. REPLACE MONEY WITHDRAWN

If you could a withdrawal RRSP money during the year and you are a high tax payer, try to replace the money by March 1, 1990 under your own employer. One of Nilson's clients, for example, took \$10,000 from his RRSP last year, "which would cost him \$2,000 in lost income. I was in a bit of a bind when he did it by replacing the money under RRSP of his own income stream."

Similarly, if you're getting closer to retirement, you can keep replacing your RRSP with funds outside your RRSP.

### 4. TAKE ADVANTAGE OF PENSION FOLLOWERS

From 1989 to 1994, you can roll up to \$5,000 of income from your pension plan or DPSP into a spousal RRSP. If both you and your spouse have taxable income over \$25,000 and both have private pension plan income, says Nilson, you should coordinate \$5,000 into each other's RRSP under this new rule. "This law is really golden," he points out, "because to make use of it, you have to have a spouse. It discriminates against single people and widows."

### 5. TAKE ADVANTAGE OF THE RRR PENSION CREDIT

If your spouse has no other source of pension income to qualify for the pension credit, says Nilson, current enough of his or her RRSP into an ordinary RRSP in 1989 or 1990 to generate \$1,000 of tax-free income annually. If the spouse isn't eligible for the pension credit at present and has no RRSP, purchase an annuity contract with nonvested funds to trigger the pension credit.



# RRSP

It's a question of money!

...your money!

Handling it wisely is an important part of planning for tomorrow.

The Prudential's Registered Retirement Savings Plans (RRSPs) and Registered Income Funds (RRIFs) are designed to help you enjoy the future. Choose from a variety of flexible options — including a selected group of Mutual Funds and highly competitive guaranteed interest products.

The Prudential's reputation for quality products and superior service is Rock-Solid.

Start planning your retirement portfolio today. Contact your Prudential Representative, or fill out the form below for more information.

---

Yes, I want to build for the future. I'd like more information about:

☐ RRSPs ☐ RRIFs ☐ Annuities ☐ Mutual Funds ☐ Guaranteed Rate Products

Name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ Postal Code \_\_\_\_\_

Phone (Business) \_\_\_\_\_ (Residential) \_\_\_\_\_

My Prudential Representative is \_\_\_\_\_

Mail To: The Prudential Insurance Company of America  
Investment Products Department  
300 Clarendon Place  
Scarborough, ON M1V 2B8

## BUSINESS WATCH



# The next premier of British Columbia

BY PETER C. NEWMAN

**B**ritish Columbia's determination not to let political reality deter him from becoming the loudest champion of Canadian politics (Michael Harcourt's record will be hard to beat, but he's writing to do it) is a factor in his selection as the next likely successor as premier, the provincial NDP's vocal leader, Michael Harcourt.

His by-the-book triumphs have highlighted not only his success towards the north, but his expert of strategy in the next election is based on a more complicated terrain. In his unknown but persistent way, Harcourt has expanded his party's core support to about 37 per cent—placing him significantly ahead of the Social Credit party—while other polls show his personal popularity at 55 per cent, more than 20 percentage points ahead of Vander Zalm. While the Zalm lost a seat in an extraordinary lightning raid for all his administrative problems, none of his associates—with the possible exception of Finance Minister Mel Corcoran—have performed adequately. Having too many vital in case unneeded. One senior Vancouver business describes the cabinet as being "functionally broken."

What has kept Social Credit in power for all but three of the past 25 years is that its leaders have successfully whittled at election campaign: images of socialist leaders holding through the mountain years, pulling the business and saving all that's secret as the free enterprise creed. That is, in other words, when Highway Minister Rita Johnston recently equated the NDP to Communist dictators in Eastern Europe, adding that "even Lenin and Marx can't make socialism work," she was laughed off the platform.

The problem is that, had it so they try, his opponents can't make Harcourt look or sound frightened. With the natural high-level leadership of carrying 200 to 300 seats a caucus, time-and-time, and the broad reputation of a small, smart, optimistic group. Under the national campaign, he has a hard time pointing him as anything more than a willing associate

**NDP Leader Michael Harcourt, the former mayor of Vancouver, is one of those rare politicians without a hidden agenda**

He served as mayor of Vancouver from 1980 to 1985, was that of a reform-minded politician leader and solid manager of the city's finances, managing its credit rating up to AAA, while the Social Credit government's rule took shape. The main worry about his future NDP administration among Vancouver businessmen is less about Harcourt than about his ability to control a much more radical crowd. Harcourt is one of those rare politicians who doesn't have a hidden agenda—even if he did, you feel he probably wouldn't know where to hide it.

"I've seen Tommy Douglas who first got me interested in politics and then as a New Democrat," Harcourt told me during a recent interview. "I worked eight summers as a worker on the CP's transformational issues and once spent three days working his night across the country. He took time out to talk to a curious young political-science student, and I've never forgotten that."

Harcourt first graduated in law from the University of British Columbia and set up one of the city's first storefront legal practices before entering municipal politics. "Under the Social Credit, it was a waste of time, but I believe in a sound economy and that if you have

too much of either public or private ownership, you get into trouble," he says. "I'm a Social Democrat and damn proud of it. Unlike the Socialists, who keep waiting to impose their own moral views on the rest of us, I believe in the separation of church and state." He maintains good contacts with BC's business community, insisting that any NDP government be heavily involved not only in getting them to pay a fair share of taxes, to treat their employees fairly and not to mean up the environment. Harcourt's long-term platform proposals are aimed at real estate buyers. He would impose an 80 per cent would-a-profit rule on speculators who sell properties within one year and 60 per cent for sales within two years. To avoid another Kago land-sale debacle, he would ensure that no public lands be sold. He would also roll back unregulated rent increases, double grants for seniors housing and close loopholes that allow companies to avoid the provincial property-tax law. He is surprisingly uncompromising in his stand against North Lake, even though he counted himself among its early supporters. But it is on the issue of aboriginal rights that he might find his government generates the most controversy. The star leader firmly declares that he needs outdoor Indian claims to land and resources settled and predicts that such negotiations would eventually produce \$9 billion in federal funds in ten, \$9,000 new jobs for British Columbia.

Harcourt is at his best when others will be the main plank of his election platform: cleaning up the environment and trying to resolve the eternal tangle between British Columbia's logging and tree-hugger. On top of introducing more mild and over-the-hill measures such as halting the export of raw logs, a realistic forest inventory and the outlawing of slash burning, as NDP government would insist that forestry companies do much more selective logging and local reforestation programs. "I would hope," says Harcourt, "that after two or three terms as premier, B.C. forests would be the model instead of an example of how not to do things."

Instead of pre-empting the current battle between logging and environmentalists for every valley, he wants to set a provincial example. "What is British Columbia's next big watershed?" he asks. "You can go to war over every bloody valley. I want to do it rationally, with good land planning. We also need to do it in the province's interests to protect the jobs of workers who know the whole on employers who pollute."

If all very ambitious, and even if Social Credit's fortunes appear to be at a low tide, they have been able to reconstruct themselves before. Perhaps Michael Harcourt's real problem is that he doesn't fit the provincial stereotype of what a good politician should be. "For all their periodic fits of morality about good manners and probity in the legislature," Mike Mear, a Vancouver bookkeeping personality and former Social Credit cabinet minister, observed recently. "It's a damn shame that Harcourt isn't just a blond idiot, is that more, Michael Harcourt has got to get more honest."

# FALL OF A TYCOON

**ROBERT CAMPEAU'S  
DREAMS OF U.S. RETAILING  
GLORY CRUMBLING UNDER  
A CRUSHING DEBT LOAD**

**B**ud Kosheim surveyed the brightly colored clothing samples in his Manhattan showroom with a smile that was almost as striking as his tie. Covered in fluorescent pink, orange and blue appliances, the tie is made by Kosheim's firm and sold as one of the world's most glamorous department stores, Bloomingdale's. Kosheim was one of the few suppliers who could afford to smile as Bloomingdale's gifts became tarnished last week by the largest retailing bankruptcy action in U.S. history. The store, once part of a vast retail empire owned by Canadian retail elite tycoon Robert Campeau, is now protected by rules that ensure suppliers like Kosheim will not be as he is. And Kosheim expressed sympathy for the fallen Canadian. "Everybody is blaming Campeau's ego for this incredibly business. But how about CitiBank's ego? How about the ego of the guys who put the deals together? How about everybody who was leaving his ass all along?"

The dramatic rise and fall of Robert Campeau's U.S. empire in just over three years has shocked the American public and raised concerns in the financial community. Campeau made his first splashy foray into the United States in December, 1984, by paying \$4.9 billion for Allied Stores Corp. of New York City. Then, he acquired Federated Department Stores Inc. of Cincinnati for \$8.2 billion in April, 1988. But most of the money he used was borrowed, and Campeau was increasingly unable to service his huge debt of more than \$10 billion. In an effort to reduce the debt, Campeau sold such assets as Ann Taylor Inc. and Brooks Brothers. In the end, even the financial support of Toronto's powerful Richardson family failed to save him. Campeau lost control of his own company and was forced to sit helplessly as his lenders pushed the company toward bankruptcy on Jan. 15. Now, Campeau is in danger of losing his Canadian real estate empire as well.

Some analysts say that Campeau Corp.'s problems, and the uncertain future for more than 100,000 employees who once worked for him, symbolize the unbridled corporate takeover

greed that marked the 1980s. In Washington, Representative Jack Brooks, chairman of the House judiciary committee, announced plans to investigate the Campeau case and the potential for a wave of new bankruptcies resulting from debt-financed takeovers at recent years. Campeau's attempts to cut costs forced thousands of people out of jobs. And many U.S. consumers are expressing resentment at foreign takeovers. Sell a Bloomingdale's shopper Catherine Collé, 69. "What's happening to America? They come at here and take over businesses and then run them."

**Manic:** The origins of the Campeau collapse lie not only in the general atmosphere of straggles that marked the 1980s, but also in the the near-obsessive drive for success that both threats and rewards say has propelled Robert Campeau himself (page S12). A vigorous 66, Campeau has had a roller-coaster career since leaving behind his impoverished upbringing in Sudbury, Ont. Clearly, he has achieved at least the trappings of wealth: he has luxurious homes in Toronto's prestigious Brimley Park area and in exclusive Jupiter, Fla.

But last week's events showed that the very aggressiveness that pushed Campeau to the front of the law may have also led to his downfall. Critics charged that his sometimes high-handed personal style drove away the talented senior executives who could have saved him. Former employees described some matches with experienced advisers, and some retail analysts said that Campeau stubbornly failed to employ retailing strategies. Ray Shadley, a lawyer and former employee of Allied Stores who was laid off, said, "I think he was trying to show the people of Canada that there was a poor boy who could make it. I think he was driven by something that blinded him."

Other executives who have left Allied and Federated also blamed him for refusing to listen to outside advice. Campeau, they said, refuses to accept anything other than his position as savior. Said Edward Davidovitch, of the New York retail consulting and investment banking firm Howard Dunderberg & Associates Inc.: "He was the guy at the head of the table who was pounding his fist and yelling, 'Go the damn deal.' No one could have stopped him."

**Reprise:** Instead, he was stopped by the memorable logic that governs all business: costs, mostly the \$800 million in annual interest payments, cut his hourly net revenues. As his difficulties multiplied, Campeau's lenders became less and less co-operative, until his empire

finally collapsed (page S8). The process began last September, when he sought assistance from the powerful Richardson family of Toronto, owners of Olympia & York Development Ltd., which controls massive property developments around the world. In return for a \$300-million loan from O&Y, Campeau surrendered managerial control of his company to a five-man committee which included senior O&Y executives. At the same time, he agreed to sell Bloomingdale's, although he was subsequently unable to find a buyer. The reorganization was intended to give Campeau Corp. more time to repay



Richardson longtime supporters walked away

## AS DISASTER APPROACHED, LENDERS BECAME LESS AND LESS CO-OPERATIVE

as creditors, but the reprieve was brief.

On Dec. 22, the mortgage began to crack. New York-based Citibank Inc., which leads a syndicate of 90 U.S. and Japanese banks, increased the pressure on Cargusa by threatening to call loans of \$1.7 billion unless his company could provide assurances of high-risk. Meanwhile, the holders of \$2.9 billion in advanced, high-risk, high-risk junk bonds, used to help finance the takeover, had already withdrawn their support after a severe drop in the value of their investment. Just before seeking protection under Chapter 11 of the U.S. Bankruptcy Code, some high-risk bonds held by Cargusa Corp. with a face value of \$1,000 were trading at only \$110. In the end, with the Reichmanns walked away, despite a total investment of almost \$300 million.

**Descent.** By the time Cargusa Corp. directors had removed Cargusa from any involvement with the company's U.S. total division on Jan. 11, his lenders had already voted away control of his U.S. operation. The largest stake is now held by the Swiss Bank of Zurich, which owned 38.2 per cent of the voting shares that Cargusa had used to secure a \$150-million loan. Cargusa himself still holds about 30 per cent, and the Reichmanns, 30.8 per cent.

At the last moment, Cargusa tried to avoid the embarrassing use of bankruptcy

protection by seeking emergency loans and restructuring his debt. Last week, he returned to his office and 11,000-square-foot mansion in Toronto, built in the style of an 18th-century French chateau. He shares the mansion with his second wife, Inc. who Cargusa has said is like a "rock" to him. He divorced his first wife,



Reichmann: "Everybody is blaming me for this."

Claida, in the late 1960s to marry her. They had already had two children together, and another child was born after their divorce. Cargusa's situation on good terms with his wife, Inc., 35, a child of his first marriage, but he is no longer on speaking terms with two others

from that marriage, Rachelle Achenbach, 43, and Jacques, 38. He is suing both over the voting rights to a block of Cargusa Corp. shares that he placed in trust for them.

Indeed, Cargusa is a victim of many battles on his business and personal life. In 1990 he was prevailed upon by the venerable Royal Trust Co. to join a group of Toronto-based investment financiers who, Cargusa charged, established his French-Canadian roots. Deeply dissatisfied by the results, he eventually pulled himself out of a host of depression and decided to move into the U.S. retail market where, he said, "it doesn't matter what your name is" in the confidence report, in 1990 he purchased Allied, and its Jewish Marxist and Soviet's department-store chain, for \$4.9 billion. A little more than a year later, he added the \$8.3-billion purchase of Federated, which included his greatest prize, the 17-story Bloomingdale's store.

Those who have dealt with him say that his negotiating skills are daunting. He is renowned for his grasp of financial details—he rarely uses a calculator—and his ability to envision retail operational opportunities that few others see. Said one former adviser, who requested anonymity: "Cargusa is the most creative person I have ever known. Only he understood the numbers."

**Swiss.** Among those who were apparently misled by his powerful presence were the Reichmanns. The head of the clan, Paul Reichmann, is also known for his high risk-taking deals, and he said that Cargusa as a man who has "the courage of his conviction." As a result, Cargusa paid \$108 million for Cargusa Corp. by acquiring 50 per cent of Cargusa's 60-story Swiss First bank tower



Cargusa touring Bloomingdale's in 1990, screaming matches with advisers

in Toronto, just a few months after the purchase of Allied. The Reichmanns continued to pour money into Cargusa's firm, and by January they held 800 million in Cargusa stock, \$340 million in convertible debentures and \$377 million in secured loans.

The post-mail loans, however, are likely to be nonrecourse, compared with Allied's total

swath—estimated to be between \$7 billion and \$10 billion. The loans are secured by real estate, including the remaining 30 per cent of the Swiss First, and the sale of the debentures.

The Cargusa disaster might have been avoided if he had stopped relying on the Allied package. At that point, he already had to sell key retail assets, such as Bonwit Teller, for \$136 million, and Gasfascina more, for \$114 million, to meet payments on his rapidly increasing debt.

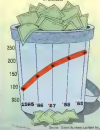
**Wart.** But he then became involved in an acquisition bidding war with R. B. Macy & Co. chairman Edward Federated over control of Federated. As a result, Cargusa and about \$340 million two months for the stores. Afterward, he refused to pay a \$93-million financing fee his bankers charged to arrange a huge loan package.

Instead, he defied his managers and moved junk bonds—high-risk, high-yield bonds—that carried handsome, and ultimately killing, 17-per-cent interest rates. Said Benjamin Frank, a

former senior vice-president at Allied: "I was convinced that, so long as he could get the financing, he would go as high a price as he could take it—to go to the very end." His credit seemed to swing from a man who was utterly sure of himself to someone who seemed highly uncertain. "I had to use one word, I'd say 'mercenary'."

### TROUBLE IN THE JUNKYARD

Total value of junk bonds outstanding, in billions



### THE ROAD TO DECLINE

In just three years, Canadian real estate developer Robert Cargusa went from being the king of one of the country's hottest real estate markets to a bankrupt man in the fourth-largest bankruptcy in U.S. history. Some key milestones in Cargusa's rise and fall:

**Dec. 31, 1986:** Shareholders of Allied Stores Corp., who owned the Jordan March store chain, accepted Cargusa's takeover bid of \$4.9 billion. The bid is financed largely by a combination of loans and junk bonds.

**April 1, 1988:** After a bidding war with retail giant R. H. Macy and Co., Cargusa wins the battle for Federated Department Stores Inc., owner of Bloomingdale's. The \$4.9-billion purchase price is financed largely by bank loans and junk bonds.

Cargusa now owns more than \$16 billion. **Sept. 18, 1989:** This month BankAmerica, family's Citicorp & Bank Development Ltd. moves to Cargusa's bid, putting up \$300 million in financing to help him meet company operating costs. In July, BankAmerica's up for sale. **Dec. 12, 1989:** Cargusa reports a third-quarter loss of \$130 million. **Dec. 13, 1989:** Allied and Federated announce that they may have to file for protection from creditors under Chapter 11 of the U.S. Bankruptcy Code.

**Jan. 2, 1990:** Citicorp Inc., Cargusa's major U.S. lender with a \$2.7-billion loan, gives the company a two-week extension to repay the Allied and Federated loan.

**Jan. 4, 1990:** The National Bank of Canada cuts 35.7 per cent of Cargusa Corp. voting stock after Cargusa defaults on a \$150-million loan. **Jan. 10, 1990:** In an attempt to prevent collapse, Cargusa pays about \$440 million owed to suppliers for retail goods shipped before Christmas.

JULIE CAZZINI

Cargusa's old friend and supporter Henry (Dick) Jackson, who controls Toronto-based National Trust, said that the economic factors that propelled Cargusa to the top and back again in under three years are unlikely to converge again. Advisers, Jackson said, were as much to blame as Cargusa. He added: "This kind of financing is dead. It's disastrous the whole banking system, and what the hell has it done for Bloomingdale's? It's more expensive to just to service the debt incurred by cry and make somebody other."

**Pessimist.** The Cargusa debacle has clearly panicked the attitudes of some Americans to outsize investors. In an editorial last week, The New York Times commented, "It took the special genius of Robert Cargusa to figure out how to bankrupt more than 350 profitable department stores" (page 32). Still, although there is no widespread panic against Canadian businesses in the United States, some Canadians have expressed a subtle shift in attitude. Said Scott Murray, president of Toronto-based house Mosaic Group Inc.: "Psychologically, it can create an attitude that Canadians are either kept, underfunded and don't care about the marketplace. This is unfortunate to our efforts."

This perception may take some time to shake if the stores had to become profitable again. They have been placed under the protection of Chapter 11 of the U.S. federal Bankruptcy Code, which gives temporary relief from the demands of creditors. During the reorganization, advisory companies are given an opportunity to work out their problems.

The failure rate for Chapter 11 companies, however, is high. Only one in eight manages to pull through, and the success rate for retail firms, where image is critical, is even lower. But for the moment, the Chapter 11 protection ensures that suppliers will be paid, protecting the credit lines of Cargusa and New York's Chemical Bank Inc. who also agreed to extend \$500 million in new loans, known as debtor-in-possession financing, to keep the stores operating. If the court rewrites the rules and the stores close or are sold, thousands more of Federated and Allied's 1,500 jobs could be lost. William Miller, the former U.S. Federal Reserve Board chairman, has been named by the Cargusa board to head Federated Stores Inc., formerly Cargusa Corp. (U.S.) Inc.

The Chapter 11 proceedings have triggered default on \$300 million in loans that are secured by Cargusa's Canadian real estate assets. So far, the Canadian and U.S. banks that hold the loans have not taken action, but the failure (you can ultimately be forced to sell some of his Canadian property to satisfy old bankruptcy) in the country is also causing widespread talking battle to build a fortune that few others could match, he will no doubt fight on, but last week's events were a bitter defeat under the Robert Cargusa.

PATRICIA CHERNOFF with  
KIM ZALY at New York  
DAVID TOSCO SYGMA M&P  
and ANN ROSENBERG  
at Toronto

# THE RAIDERS ON THE DEFENSIVE

## HUGE DEBTS GROUND THE HIGHFLYERS

**T**he more intense the game Robert Campea, Canada's bold, brash and supremely confident tycoon, was once enough to send waves of fear through North American corporate boardrooms. Now, with most of his influence dissipated and his retired agent under Chapter 11 of the U.S. Bankruptcy Code, the Toronto businessman's dramatic fall may serve as a chilling epilogue to the financial excesses of the 1980s. Throughout that decade, corporate raiders, speculators and financiers made through the corridors of the financial world virtually funding for acquisition. To finance their massive buy-outs, they borrowed billions of dollars. Their audacious debt-making ended their time of takeover vast personal fortunes lost, in the process, they became international celebrities that lost with as Campea sought to retain what was left of his shattered empire, many businessmen and analysts predicted that the era of the hostile takeover is now dead.

**Born:** In fact, most of the forces that fueled the mergers and acquisitions boom have faltered. The number of companies going for pickup as a result of undervalued stock prices has diminished. Pressure on management to quickly raise in domestic growth and profits has driven directors and shareholders to slow down. As well, the wave of defaults by over-leveraged tycoons such as Campea and U.S. entrepreneur and financier Merv Griffin has destroyed the market among professional in-



Ivan and Donald Trump often profited in an era of unchecked greed

vestors and institutions for the high risk, high-yield, so-called junk bonds, which provided most of the takeover financing over the past decade. Canceled Harry Markopolos, a corporate real estate analyst with Toronto investment house McLean McCarthy Ltd. "Investors have value up to the value of junk bonds. They target that a 14- to 15-per-cent rate of

return implies a horrible degree of risk." Now, many of the over-leveraged tycoons who were capable of quickly raising billions of dollars for takeovers are in severe financial difficulty. With corporate greed no longer so easily or safely satisfied, the takeover artists and their investment bankers are more often reviled than lauded. Many, such as Australia's burgeoning Alan Bond, have already watched their empires collapse after a decade in which they easily accumulated obscene wealth and charged headlong into businesses that they knew little about. And many who survived, like Chicago takeover artist William Packer, are struggling to meet the huge debts they incurred to finance their billion-dollar purchases. Even powerful businessmen and corporations that emerged from the 1980s relatively unscathed, such as U.S. retailers T. Boone Pickens and Gail Klee, have been hit hard by reluctant lenders and investors.

**Bailed:** The mergers and acquisition explosion was fueled by one man, Michael Milken, the investment genius at the New York City investment firm Drexel Burnham Lambert Inc. Milken, who is now facing a 20-count federal indictment (see sidebar), developed the process of financing junk bonds to finance corporate takeovers. The bonds are insured by corporations with low credit ratings but offer investors-as yields that are much higher than for normal bonds. Generally, junk bonds have been slow to have an impact in the smaller Canadian capital markets, where only an estimated 180 junk bond issues have been launched since 1984, mostly by U.S. lenders. But in the United States, they were instantly popular with sophisticated institutional and institutional investors, who, gambling that a high return was worth the risk, suddenly provided a new and almost bottomless pool of financing.

The ensuing greedy struggle for profits in the United States propelled a wave of corporate mergers and takeovers, which in the decade ended soared to \$3.5 trillion, much of it financed with junk bonds. Milken's machinations made him possible for even a small trader like T. Boone



Gambling at Trump's Atlantic City casino: 'Let's do the deal at my cost' was the credo of the decade

Pickens, the livestock chairman and chief executive of Denver-based Mesa Petroleum, to mount a near-impossible attempt to buy the mighty Pittsburgh Gail Oil Co. In 1984 with \$2.2 billion in junk bond financing. By the time Gail finally repaid Pickens by buying back the Gail shares that he had purchased with the bonds, its share price had been driven up substantially, and Pickens made a profit of \$484 million. His audacious success—forcing a large firm to pay up his shares at an inflated price—became known as "junkmail."

But the leveraged buy-out, or LBO phenomenon, soon flowed out the gatekeepers. They too used junk bonds as the favored method of borrowing heavily to keep control of a company, usually selling off assets, usually sideways firms, to pay off the debt—often at a huge profit.

As the LBO spread, no company seemed large enough to fend off a buy-out. Even Lick Mabeo Ltd. of Atlantic City, N.J., one of the largest companies in the United States with \$18.2 billion in sales in 1988, could not escape. In 1989, New York investment adviser Kohlberg, Kravis, Roberts & Co. bought the multinational for \$24 billion, financed largely by junk bond sales, making it the largest LBO in history. See Joel Garbus, director of research at New York's Journal

& Co. Inc. "The credo became: 'Let's do the deal at my cost.' The deal itself didn't matter."

As the corporate maelstrom and taxes increased, many corporations that felt threatened by possible takeover bids themselves turned to junk bonds for protection. They sold them to raise cash to buy back their own shares and keep them out of the reach of acquirers such as Campea. Another popular technique to ward off unwelcome raiders was the issuing of extraordinary dividends to prevent shareholders from revolting.

The aggressive strategies on both sides of the corporate takeover wars led to a dramatic rise in corporate debt during the 1980s. And, as Campea's desperate battle flared, analysts say that both raiders and the companies they acquired, in need to acquire, are now dangerously vulnerable to everything from an economic downturn to rising interest rates because of the increased debt loads.

**Is there a resurgence?** Michael Jacobs, president of Creative Finance Ltd., a Toronto-based mergers and acquisitions firm. "A lot of companies that used to do deals should be looking back and having a sigh of relief if they did not get caught up in what was going on."

Indeed, the Corporate decade seems to mark the end of the era of rapid acquisitions. In

fact, a string of complex high-profile takeovers, including the \$2.5-billion takeover of building materials company firm Walter Corp. by Hillsborough Holdings Corp., a leveraged buy-out company set up by Kohlberg, Kravis, Roberts & Co., has run into serious financial problems in the United States in the past six months, leaving lenders holding more than \$6 billion in now nearly worthless junk bonds.

**Bailed:** Moreover, analysts say that, with Campea in Chapter 11 bankruptcy proceedings and with other companies threatening to default, investment banking takeovers in the future will have great difficulty raising money with junk bonds. At last, \$12 billion in new junk bonds were sold to finance takeovers in the first six months of 1989, compared with \$30 billion in the same period in 1988. Said Alfred Posen, chairman of Toronto-based Noranda Inc., whose company last summer acquired Toronto-based Pilkington Ltd.: "Anyone making a major acquisition is going to be treated with a certain amount of caution from now on."

Along with Campea, some of the biggest setbacks have been caused by a number of the most celebrated corporate raiders of the past decade. In fact, for the moment, New York businessmen who made millions by promoting large share purchases as such as in Burlington, Ohio-based Phillips Petroleum Co. and Liverpool Chemical Co. Inc. of Passaic, N.J., appear to have been forced out of the takeover contest altogether by a nervous institutional last year. After spending



Is there a resurgence?

\$11.2 billion in 1989 to buy Team World Airlines Inc. (TWA), the aerospace carrier's son from Queens, N.Y., has been tied down by management and financial problems at the airline.

Meanwhile, Polansky declared last year that he was leaving the U.S. interest field permanently. Following his announcement, in which he said "our countries were warring" about his takeover battle, he shifted his corporate focus across the Pacific to Japan. There, his role is envisioned to help Japan to a dominant position in great control of a Japanese auto-parts industry, Kaita Manufacturing, whose shareholders have not yet decided his bid.

Polansky's takeover battle has also been accompanied by the collapse in junk bond prices. For one, Chicago underwear tycoon William Perley, who led a takeover in 1985 against U.S. Steel, is now in a bind.

Perley's takeover of U.S. Steel, which he led in 1985, was a classic case of a takeover of a company that was in a bind. Perley's takeover of U.S. Steel, which he led in 1985, was a classic case of a takeover of a company that was in a bind. Perley's takeover of U.S. Steel, which he led in 1985, was a classic case of a takeover of a company that was in a bind.

Casualty: Another high-profile casualty, and relative newcomer to the world of corporate wars, is Merv Griffin. The portly entertainment tycoon has made a fortune by creating such hit television programs as *Wheel of Fortune*, hosted by celebrities like Bob and Karen White, and *Jeopardy!* Two years ago, Griffin had a major setback when he lost the rights to his hit show *Wheel of Fortune*. Griffin had a major setback when he lost the rights to his hit show *Wheel of Fortune*. Griffin had a major setback when he lost the rights to his hit show *Wheel of Fortune*.

Like their U.S. counter-



Wheel of Fortune's White: Auto-parts industry

parts, several major Canadian businessmen who participated in the 1980s takeover wars were also scarred by the experience. Last year, Toronto-based Unicom-Canada Corp., which set new Canadian standards for corporate ac-

quisition with its 1985 takeover of Union Resources Ltd., failed to take control of both Toronto, Ont.-based Dunlop's Donut Inc., the world's biggest donut chain, as well as the Quebec-based grocery chain Stebbins Inc.

And while Nova Corp. of Alberta, led by its scholarly chairman, Robert Blair, was more successful than Unicom, Blair is still trying to turn a recent celebrated acquisition into a financial success. After using \$2.3 billion in borrowed money to acquire the Toronto-based petrochemical company Polymer Energy & Chemical Inc. in 1988, Nova Corp. is now selling off \$600 million in assets to cut its debt. Still, Nova president James Butler and his team have no reservations about the Polymer deal. He said, "We felt we could do it, and we could."

**Raiders:** Even in Europe, where the takeover game remains hot as companies prepare to compete in the single-market economy, which began in 1992, corporate raiders are facing difficulties. Last year, celebrated Anglo-French financier Sir James Goldsmith and his team failed to finance a mammoth \$14.4-billion takeover attempt of British Airways Holdings (BAH) Industries Inc., one of the world's largest companies. But Goldsmith's bid had tax and accounting issues kept problems.

As well, Australian Neil Broad, who became a national hero in that country after he won the American Cup trophy from the United States in 1983, once owned an engine that included such diverse assets as Chile's telephone system and New York's post St. Michael's Hotel. But the bankruptcy of Australian interest, \$6.5 billion in debt while building his empire, and now, faced with the prospect of complete bankruptcy, he has placed his company in a controlled liquidation. At the same time, he has been selling assets, including his yacht, his Sydney mansion and Vincent Van Gogh's *Spectator* from which he bought last November for \$65 million in mostly borrowed money.

While the swirling corporate raider's of the 1980s battle to remain profitable, Milnes appeared to finally slip the end of the takeover era when he recently began advising companies to avoid junk bonds and, instead, to use the traditional means of raising money: stock to finance expansion. And from Brooklyn, another celebrated raider who made millions using inside information to profit from corporate takeovers, is following a more spiritual course, far removed from Wall Street Brooklyn, who is finishing a three-year prison sentence in California, has grown an extremely long, white beard, and instead of money, he is now pursuing a new-found fascination with his Jewish religious roots.

For the rest of the corporate world, most of which views the raider's distress with quiet satisfaction, the main task now is whether the former marauders can ever recover from the huge debts of the decade-long takeover binge if not, they too could follow in Robert Campey's lonely footsteps.

**JOHN DAMON** with **MICHAEL JOSE** in *Sheny*. **PETER LEWIS** in *Orlando* and **LENNY GUY** in *New York*

# TREACHEROUS WATERS

## CANADIANS FIGHT FOR THE U.S. MARKET

It was the second major catastrophe for a Canadian-owned U.S. retailer in less than a week. Two days after Compco Corp.'s stunning announcement that its U.S. retail stores were seeking a restructuring under U.S. bankruptcy laws, Toronto-based L.J. Ladd, Canada's largest clothing retailer, also filed for Chapter 11 bankruptcy protection for its Bridgewater, Maine-based Promco Specialty Stores. Dylan bought the insurance against this in 1984 for \$54 million as part of an aggressive strategy of U.S. expansion; it followed the purchase with a further \$50-million investment. But the 401-store chain, founded, and last year it posted an operating loss of \$38.5 million on sales of \$230 million. With the failure, Dylan is now a two-time loser in the barely competitive U.S. market. In 1987, its New York City-based Brooks Fashion Stores Inc. also filed for Chapter 11 protection. Said Peter Nygard, president of the Toronto-based fashion manufacturing and merchandising firm Nygard International Ltd., "One after another, Canadian retailers have taken a beating in the United States and packed their bags."

Even before last week's bankruptcy filings, some Canadian retailers were hesitant to enter the huge American market because of a series of well-publicized failures in the early and mid-1980s. Despite improved assets offered by the Free Trade Agreement, Helen Murphy, vice-president of merchandising strategy at Richardson Greenfield Ltd. in Toronto, said that no major Canadian merchant has moved into the United States for the past two years in any big way. And Michael Rios, a professor of Canadian history at the University of Toronto, added that Canadians have consistently underestimated the size and scope of American competition. He added, "The waters down there are full of sharks."

**Pushing:** Even well-financed conglomerates with a strong track record of success in U.S. markets have suffered punishing setbacks. In 1981, the giant Montreal-based tobacco and retail chain Consolidated Stores Ltd. bought Hardee's Food Systems Inc., a fast-food chain, and turned it into the world's third-

largest hamburger chain, with about 64 million in sales last year. But its entry into the U.S. pharmacy business was much less spectacular. In 1984, Imasco, which owns the profitable 1200-chain Shoppers Drug Mart chain in Canada, bought the mostly losing Accorrex, a U.S.-based Peoples Drug Stores Inc. for \$400 million. It quickly increased the number of Peoples outlets to over 800 from under 600. But Imasco continued, and in 1987 Peoples lost \$23 million, followed by another \$39-million loss in

suffered swift and straggling reversals. When Canadian Tire Corp. announced in 1982 that it was buying Texas-based White Stores Inc., many analysts hailed it as a brilliant move. The company bought the 480-store value-motors-parts and hardware chain at what it considered to be the bargain basement price of \$47.5 million, and the firm's then-president, Dean Muscarello, promised that the purchase was an important step in Canadian Tire's assault on the U.S. market. But the company was short-lived. By 1983, White Stores had become a white elephant, reporting a \$10-million loss after an overall investment of \$300 million. In 1985, Muscarello departed, and a year later Canadian Tire sold the chain. Colin Boyd, a University of Toronto management professor who has written a case study on the purchase, and that Canadian Tire assumed that it could duplicate its Canadian marketing strategies in Texas and failed to study local buying habits closely enough. Concluded Boyd, "It was unforgivable arrogance. They thought that they knew how to do it."

**Devils:** For his part, Nygard said executives with Canadian Tire and Dylan refused to adapt to a new market or denote the time needed to survive. He added that executives at those firms assumed they could remain in Toronto and most subsidiaries to run their U.S. operations. "I feel that you must be there personally to make it happen," Nygard said.

In contrast, Nygard says that when he set up his U.S. subsidiary in Los Angeles in 1979, he realized he would have to start small and overcome the operations himself. Still, he lost about \$2.3 million on U.S. sales of about \$5.75 million in his first year. Now, he spends about four months a year in Los Angeles, and U.S. sales account for about 40 percent of his firm's \$200 million in annual revenues. Said Nygard, "If you are not committed to dealing with these guys on a firsthand basis, then you won't succeed." But, despite the failures in the past, it is clear that many Canadian businessmen still remain eager to embark on new U.S. ventures—whatever the risk.

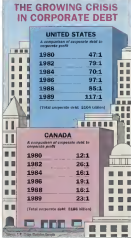
**MICHAEL HARRISON**



Nygard: "You must be there personally to make it happen"

1984 on revenues of \$1.8 billion. In an attempt to control the losses, Imasco sold 325 Peoples stores last year as part of a massive restructuring. Imasco executive vice-president Terrence Wyle said that the remaining 200 stores are now profitable. But he said that aggressive price-cutting undermined Imasco's fight for customers. Added Wyle, "Clearly, we were not expecting the results we got."

Other hopeful Canadian retailers have also



## JUSTICE

# A tragedy's aftermath

The coroner bows out of the Victor Davis inquest

When Olympic medalist Victor Davis died after being struck by a car in November, police handling of the case in Montreal left a number of key questions unanswered. Parents of the former champion swimmer had expressed hope that an inquest, expected to begin in March, would shed light on the fatal incident that occurred outside a suburban Montreal bar following an altercation between Davis, 26, and three men. But last week, Roch Héroin, the Montreal coroner who had been scheduled to preside over the case, withdrew from the inquest after making confidential statements.

A new coroner for the case was due to be announced this week. Quebec's chief coroner, Dr. Jean Gosselin, said that Héroin asked to be taken off the case after statements attributed to him appeared in the Montreal newspaper *La Presse* on Jan. 6. The paper quoted Héroin as questioning the value of a coroner's inquest following legal changes three years ago that prevent Quebec coroners from issuing criminal responsibility at violent deaths. According to *La Presse*, Héroin said, "I wouldn't say that our work is completely useless, but what purpose does it serve?" Héroin later denied making the statements.

Coroner's inquest ended Davis's death after friends of the swimmer said that he had been struck by a car occupied by men who had been at the same bar as Davis and his girlfriend, Dennis Clavel. Clavel said later that, after an exchange of words with Davis, the car drove a car to the entrance as he stood in the street. Within hours of the incident, some cops went to a police station, Montreal Urban Community officials said that they did not administer helicopter tests because they had no reason to think that the driver of the car had been drinking. Davis, with two in the Olympic gold medal at the 1984 Los Angeles Olympics, died of brain injuries 23 days later.

Last week, the swimmer's father, Melvyn Davis of Guelph, Ont., said that a campaign to raise money for a Victor Davis Memorial Fund had collected about \$30,000. The fund will be used to help promising Canadian swimmers to train for international competition. Davis, and his father, "didn't want to come in second or third. Wanting to be the best—that's the motive behind doing this."

MARK NICHOLS with JOLANDE DE SANTIS in Toronto



Shopping for oat bran products to eat, the results were not a surprise

## HEALTH

# Deflating a fad

A new study knocks oat bran down a notch

It comes in cereals, muffins, breads, cookies, pasta—even in potato chips. The ubiquitous substance is oat bran, the husks of the cereal grain's seeds. After studies conducted during the past nine years indicated that oat bran could help to lower blood cholesterol levels, which may be a contributing factor in heart disease, food manufacturers have incorporated the oat content of their products. But last week, a study published in the Jan. 18 *New England Journal of Medicine* threatened to knock oat bran off its pedestal. "Oat bran does not lower cholesterol," said Dr. Frank Sacks, a cholesterol expert at Brigham and Women's Hospital in Boston and one of the study's authors. "There is nothing wrong with oat bran, but there is nothing special about it."

In the study, 20 men and women between the ages of 23 and 48, with normal blood cholesterol levels, were divided into two groups. Members of one group ate 87 g a day of high-fiber oat bran mixed in food or muffins while members of the second group consumed 90 g of lower-fiber wheat bran. After six weeks, the participants switched diets. Researchers found that both diets reduced total levels of cholesterol and low-density lipoproteins (which promote the buildup of fatty deposits in the walls of coronary arteries) by seven to eight per cent. But the scientists

concluded that the results had more to do with the fact that the participants had eaten less food high in saturated fat and cholesterol during the test period.

Still, some nutritionists were not impressed by the findings. Said Dr. David Jenkins, a professor of medicine and nutritional sciences at the University of Toronto, "They have taken a mild report, applied it to individuals who are well and have not seen a big difference." But for older people with higher levels of cholesterol, he added, it may make a difference. And even though publication of the study caused cereal companies' stock prices to dip last week, financial analysts predicted that the report would not have any long-term impact. Ronald Morano, an equities research analyst with Smith Barney in New York City, said that the cereal industry would likely conduct studies aimed at countering the Boston findings.

Although the study appeared to deflate some of the claims made for oat bran, Jenkins, for one, said that people should not be discouraged from including the grain in their diets. Conversely, he added, should simply consider oat bran one of many parts of a healthy diet—rather than a panacea for high cholesterol.

NORA TIERNEY with DAVID LINDGREN in New York

## OUTDOORS

# Hazardous slopes

Poor conditions threaten the ski season

Sliding experts say that the Heleneau race, an annual event in Kitzbühel, Austria, is the most dangerous in the World Cup downhill series. During the late 1970s and early 1980s, the event was the scene of some of the greatest victories by members of the Canadian ski team of the period. But the Heleneau race has also cost many skiing careers. Todd Robinson of Penn. State, for one, who won the race in 1983, missed from sliding after he injured his knee there in 1987 in a dramatic carbofingling fall. This season, Kitzbühel, like many other Euro-

pean resorts, has seen the usual speeds down the fall course. Norway's Atle Skauvald won his first World Cup gold medal in a race of two minutes, 39.2 seconds, an eight-second ahead of Austria's Helmut Holderberg, with Switzerland's Pirmin Zurbriggen third.

So far this year, snow has been scarce throughout Europe, forcing the International Ski Federation to postpone or relocate some World Cup events. At the same time, many ski resorts in Pacific regions of North America experienced a similarly lousy winter. But on the eastern side of the Rocky Mountains, snow

troubled the uncommonly mild weather in northern Europe to avert temperature distributions over the Atlantic. The organization predicted that snow will return to the Alps. "It's only a matter of time," said an organization spokesman. "It is far too early to worry about any long-term changes in the world's weather."

Still, the short-term effects were damaging skiing schedules in many areas. Earlier this month, a snow giant slalom event was finally staged in La Villa, Italy, after being switched twice. The schedule was further disrupted last week when the ski federation announced that another three races scheduled for Switzerland later this month and next would have to be shifted to other sites.

The situation is becoming serious for many European resort operators. Indeed, owners of some of the most-busy French resorts have asked for the help to be forced disaster areas and have called for financial aid from the French government. Earlier this month, French Tourism Minister Olivier Stirn commented the resorts' problems to that of doctors struck by drought, and he promised aid when damage is assessed at the end of the season. At the same time, travel firms that sell ski vacation packages have been hard hit by Europe's warm weather. Said Wim De Smet of the Belgian branch of the German tour operator Neckermann Reisen AG, "Bookings for late January and for February are down to zero."

Meanwhile, in British Columbia, down were crowding Whistler Village, 75 km north of Vancouver, whose loss of snow has taken since the beginning of January. In December, mild weather hit the left slopes have exempt for the higher courses of Whistler and Blackcomb mountains. Thomas Riddle, president of the Whistler Skiing Association, said the resort traditionally loses all season, snow or not, because people go for more than the skiing.

Elsewhere in Canada, resort operators are worried that they started the season with excellent snow conditions—and plenty of skiers. Alberta resort operators said that they were likely to set attendance records this year. But skiers were more cautious. Michael LeBlond, a sales and promotion representative for Mount St. Helens Ski Area, 100 km west of Montreal, said that after a profitable past few years, the ski trade remains risky because "you depend so much on the weather." For many resort owners and skiers alike, on both sides of the Atlantic, it was a time for keeping their fingers crossed and their eyes on the skies.

BARBARA WICKEN with correspondents' reports



Skiing at Whistler Mountain, on gravel at Kandersteg, Switzerland, no simple explanation

pean and North American ski resorts, suffered from a shortage of snow that made the course even more treacherous this year. By late last week, as the ski community prepared to celebrate the 50th anniversary of the Italian team, less than two inches of snow covered parts of the course and other patches were bare. Race organizers frantically operated snowmaking machines—and even had snow flown in by helicopter.

But it was not enough. Ski officials cancelled the women's super-giant slalom and had to shorten the men's downhill on Saturday to two short sprints on the lower half of the run. Even so, the world's best skiers found the going

was painful. Resort operators in Alberta, Ontario and Quebec said they were having excellent seasons. By week's end in Quebec, however, rain and mild temperatures were getting to erode the snow pack.

Weather experts say there is no simple explanation for the lack of snow, a potential risk for operators. Most weather experts dismissed the so-called greenhouse effect as a cause. That refers to the theory put forward by some scientists who say that such gases as carbon dioxide are becoming trapped in Earth's upper atmosphere, causing the weather to become warmer. In fact, the Geneva-based World Meteorological Organization at-



## Of ersatz grass, domes and sushi bars

BY TRENT FLAYN

On April afternoon in 1976, as the lobby of the Inter-Continental Hotel in Pangue, word of an upset back home reached a cluster of Canadian hockey scouts and scribbles the Toronto Maple Leafs had won the seventh and deciding game of a Stanley Cup playoff with the New York Islanders.

"Good for them," applauded Mike Pratt, an old Leafs-defender-turned scout for the Vancouver Canucks. "Who do they meet now?"

"The Canadiens," he was advised.

"The Canadiens?" exclaimed the Bebe. "Does that Vibeberg's last time was to get to the Tinseltown?"

Likewise, the Jan. 28 Super Bowl football game in New Orleans figures to be a voyage to the bottom of the sea for the Denver Broncos. The Broncos, however, help them, kayaked the Cleveland Browns on Jan. 14 to qualify to meet the San Francisco 49ers at the top level, the Niners being a team that some gamblers are calling the best football team of all time. Including John Madden, the hairy, moustache-like television commentator, who knows his business. John coached the Los Angeles Raiders when they were the Oakland Raiders.

"I don't know, I don't know," John told us folks at home watching the carnage. "Maybe this 49er bunch is the best team ever, maybe the best ever." John extracted the words with understandable reluctance, because he had some pretty fair head-bashed moments in the old Redder days. Still, when the 49ers met the Los Angeles Rams by 30-3 to earn the team's trip to New Orleans, they were as terrifying as they had been some game earlier in spreading and dismissing the Minnesota Vikings. The Vikings had the best defensive record in the National Football League last season, but the 49ers just took them by the throat and rattled them by an unimpressive 42-13.

The 49ers are generated by an icon named Joe Montana, who, if you didn't see him, you could see him, and then, you could realize for an amazingly cheap computer. Joe looks handsome with a pleasant, blue-eyed gaze, he moves

*The Jan. 28 Super Bowl game in New Orleans will be a voyage to the bottom of the sea for the Denver Broncos*

around like a human, and they say he gets into his pants as big as a time line in them. But Joe is Joe Cool, as cool as the other side of the pillow, and since the Niners go on offense, he drags a black hood over his head and becomes an executive. Against the Rams, Joe completed 26 passes in 30 throws. This is not because Dave Stoltz doesn't do any better than that throwing to a receiver.

The thing is, Joe is not alone, he has accomplices. There is Jerry Rice, a pass catcher of catamaran grade, sort of a Karen Kam in spandex pants. There is Reggie Cook, not a head-bashed, glee-dancing mascot, but a high-stopping one like a fine trotting horse, head up, knees high, feet drumming a steady rhythm. And as out of these guys there is an absolutely demoralizing offensive line, digging holes for the runners, turning up roadblocks to protect Montana, and just generally looking-opposing defensive lines codswaddled.

Once in the Rams' rear, the camera strayed behind the Rams' head, where the defensive line was getting a richly earned barbeque. "See the dirt on all those backs," Madden cried. "A defense should have clean backs. When you see a defense and they have a lot of dirt on their backs, they're having a bad day."

Now, the 49ers, their defensive guys weren't precisely new and green as their appearance but they had angry clean backs. Their fronts were somewhat soiled because the field was inferno and the soil was coming loose when these big men like clamped into the muck. The guys were busy muddering just about anything that wore a Rams shirt and moved. "It all goes back to the defense," Mike Ditka and afterward Mike catches the living Chicago Bears, a tough-dude nonetheless. "They play hard and they play with emotion. If you can't play this game with emotion, don't show up."

Reunion everywhere except with Joe Cool. Joe doesn't play with emotion. You'll see this if you watch the commentator on Sunday, the emotion of a heart surgeon.

A guy as the 49ers' defense, the cornerback Tim McVay, was his playing before the Rams game that too few guys got too much credit as the Niners. "All you hear is Montana and Rice and Craig I wear some recognition, too. I do my job," this guy complained.

But the trouble with the 49ers is that everybody deserves recognition. They're all overworked at what they do. In beating the Rams, Montana let eight different receivers, and some for more than six passes out of his 26 completions. Who can remember all the names? So people say the 49ers are Montana and Rice and Craig and let it go at that.

Should the Broncos bother to show up on Sunday? Sure. Their quarterback, John Elway, will cause a little excitement. As Madden said, "He has an arm you should need a permit to carry this thing around."

Also, they should visit New Orleans at least for the food, especially the food at Brennan's Restaurant. Brennan's is a byword down there at 417 Royal St., elegance in the Deep South mode. Branch runs \$35 to \$40 at Brennan's, but who's counting? You won't find a seat among the 300 in the joint if you haven't reserved. Brennan's was opened 43 years ago by Owen Brennan, and now his three sons run it, Owen Jr., Ted and Jimmy.

Such delicacies. Among other tasty morsels are 12 egg whites on the tangerine morsels of which Eggs Ellen is a headliner. You start with an appetizer of southern baked apple or corn, oyster or turtle soup with hot French bread. This grilled fish of salmon with poached eggs and hollandaise sauce. For dessert, Crème chocolate suicide cake or banana Foster flamed before your very eyes at your table.

Beef ribs as the 49ers' legend. Popcorn butter and cheese up to the dome, who knows how the delectable 49ers will perform on play-by-play? The Superdome does not grow grass grass, only ersatz. And grass grass is what the 49ers beat the Cincinnati Bengals on in last year's Super Bowl. They did it. They destroyed the Vikings and the Rams on the month, their own chopped-up Cincinnati Park.

Madden again: "This is what football's supposed to be about. It's about guys in the pit. It's about root, it's about dirt, it's about blood on your shirt. This Rams game wasn't one of those games they play in domes or under heat. Well, the Superdome's a wolf's lair."

# YOURS FREE

This AM/FM Clock Radio with **Maclean's** at HALF-PRICE



Subscribe to Maclean's at 55% off the newsstand price and get this cube clock-radio FREE\*

In today's fast-changing often astounding and increasingly dangerous world, you need the most accurate and reliable news coverage you can get. And that's what you'll find in each weekly issue of Maclean's: a precise summary of the most important Canadian and international news. Backgrounded. Evaluated. And presented in less, lively terms. Plus reports on people and power, law and lifestyle, books and business, entertainment and environment.

That's why this offer will appeal to you—because you get not only a concise news package every week at half-price, but also this versatile quartz clock-radio. Tailor-made for your lifestyle, it's lightweight, easy to pack and equipped with AM and FM bands so you can wake up to music or the soft beeping tone.

It's an ideal gift for you to enjoy with Maclean's. Best of all, this cube clock-radio doesn't cost you anything! You get a FREE\* with Maclean's a year (\$3 issues) for just \$52, the full subscription price, a \$117 newsstand value—that's HALF-PRICE!

For a free trial subscription, please call 1-800-387-2222. For a full subscription, please call 1-800-387-2222. For a full subscription, please call 1-800-387-2222. For a full subscription, please call 1-800-387-2222.



**Maclean's**

THE WELL-INFORMED CHOICE



# "I don't need an investment manager"

AND OTHER COSTLY MISCONCEPTIONS.

The truth is that unless you're prepared to spend the majority of your waking hours carefully shepherding your growing portfolio of investments through the obstacles of financial reality, there's a limit to how far you can go.

Let's assume you are approaching that limit.

In which case, the only thing standing between you and the establishment of a relationship with a professional investment manager must be one of the following misconceptions.

We'd like to shed some light on the subject.

## "Investment Management is too expensive."

Royal Trust Private Client Services offer you the benefits of having a personal, one-on-one relationship with a highly qualified investment manager for a modest annual fee. Unlike most brokers, our portfolio managers receive no trading or new issue commissions. Our charges are based on the value of your portfolio. In other words, the way we make money is by making you money.

## "I don't want to relinquish control of my investments."

Our Private Clients don't just write us a blank cheque and then spend the rest of their time twiddling their thumbs or biting their nails.

They choose the level of involvement they want to have in the management of their portfolio.

But regardless of their choice, knowing that their Investment Manager is constantly monitoring the markets and their portfolio assures them of timely advice or instant action.

## "My portfolio isn't large enough to warrant management."

Experience has taught us that this is the most common misconception of all. In truth it's a bit of a chicken and egg situation. The following is a general guideline: if your investable assets, excluding real estate, are approaching the \$300,000 level and are currently spread a little further than your nose allows you to reach, then you need a little help to pull things together.

John Macgregor, Toronto  
(416) 598-1381  
Pat O'Brien, Vancouver  
(604) 673-2221

Rob Bellamy, Edmonton  
(403) 426-7750  
David Muller, Calgary  
(403) 232-1700

## Trust companies are overly conservative."

Royal Trust can hardly be lumped together with all Trust Companies.

We lead the financial industry in designing innovative services to meet our clients' needs. The 99% Action Mortgage and Royal LePage Commercial Real Estate and Precious Metals Mutual Funds are just a few of our services that have been in the press lately.

Royal Trust has an exceptionally strong track record based on over 90 years experience. Our scope is truly international with 22 offices overseas. And our unique position of offering advice first, is fueling a dynamic expansion into the United States.

Hardly what you'd call a "sleepy" organization.

## "I need more than investment management."

Aside from Investment Management, Royal Trust offers its Private Clients a full range of services to help them achieve their financial goals. Our Will and Estate Services can help you develop a strategy to maximize assets and provide for your heirs. Comprehensive retirement and tax planning services are also available.

Michael Fleck, Regina  
(306) 375-6566  
Claire Macleod, Winnipeg  
(204) 940-0482

Jim Sheppard, London  
(519) 462-3830  
Michael Moss, Toronto  
(416) 591-6960

John Gentry, Ottawa  
(613) 236-1111  
Robert Fink, Halifax  
(902) 435-3600

with us and a fee commission and fees are charged accordingly.

## "I'd like to discuss what's involved. No strings."

Call us a bit of wishful thinking on our part but we suspect that, having come this far, the thought has crossed your mind.

The person to call is one of our Managing Partners listed below. Based on your specific needs, they will team you with the most appropriate Investment Manager in your area.

It could be the start of a meaningful relationship.



Where advice comes first.™







**The War Amps is a Canadian organization that offers specialized assistance — both social and financial — to amputees of all ages, like "Ambassador-At-Large" Chris Koch. By practising our philosophy of amputees helping amputees, Chris encourages other Champs to become part of the Winner's Circle.**

THE WINNER'S CIRCLE

The War Amps of Canada

Key City Service  
160 Robinson Street  
Toronto, Ontario M5R 1K5  
(416) 423-0400  
Candidate Registration No. 02867 P 01



## Subscribers and Mailing Lists

Occasionally Maclean's provides its subscriber mailing list to other companies whose products or services may be of value to readers. But if you don't want to receive information this way, here's an opportunity to remove your name from the lists we provide to other companies. Simply send your subscriber mailing label with this notice to Maclean's Customer Service, 777 Bay Street, 8th Floor, Toronto, Ontario M5W 1A7.

**Maclean's**

THE WELL-INFORMED CHOICE

## FIRST THE WHITE PELICAN NOW THE WOOLY BISON



These two animals are no longer endangered in Canada.

You may not have known that they were ever endangered. But consider this: You share a life support system with all the wildlife on this planet. Every day three species disappear. Animals like the Great Auk, The Dodo, Passenger Pigeon. And plant life that can never be recovered. When a species is threatened, your life system is threatened.

World Wildlife Fund goes results. Both in Canada and around the world. Currently, we are supporting more than 200 projects in Canada. We're also helping to save the Giant Panda in China. The Tropical Rain Forest in Costa Rica. And more. Your donations will help. Every single cent you give will help save wildlife. Remember, it's your life, too.

Find out how you can help World Wildlife Fund get results. When 60.50, Clay Ave. E., Suite 401, Toronto, Ontario M4T 1N5. Or call

(416) 923-8173



World  
Wildlife  
Fund

WWF

## PEOPLE

### HITTING THE JACKPOT

Last week, two baseball players set new records for the game—belated dead deer. Dave Stewart, 32, the star pitcher for the Oakland Athletics, became the sport's highest-paid player, with an average annual salary of \$4.1 million. Meanwhile, the A's



Mitchell worthy of a baseball record raise

World Series rivals, the San Francisco Giants, gave left fielder Kevin Mitchell, 26, a baseball record raise of \$1.7 million, to move this \$2.4 million for the season, for his part, Giants general manager Al Rosen said that Mitchell, who hit 47 home runs and batted in 128 last season, is worth it. He added, "Players like Kevin don't come along often."

### Animal fun

For the 42 celebrities making the centennial of the Children's Lake Louise hotel in Alberta, Jasper National Park last week, it was a chance to promote their books—and their conservation. Among Angie Dickinson and Ali McGraw took part in three days of sporting events and parties, and paid \$150 for a four-day tour for the Nature Conservancy of Canada, a charity that promotes the protection of animals and their habitats. And the 50-year-old Dickinson, who competed in the dog sled race. "I'm here for the adventure, for the people—and for the cause."



Dickinson: three days of parties

### The beauty of maturity

Actress Elke Sommer, a sex symbol in the 1960s, says that she has only become better with age—and that she is willing to prove it. At 49, 30 years after she first appeared in Playboy, the German-born actress will pose for another

revealing picture spread in a future issue of the magazine. Clearly, Sommer welcomes scrutiny. She is also now making her first New York City stage appearance, playing a glamorous painter in Telemann, written by Tassotti's John Kinsman, which takes place in a mansion as the so-

Sommer: revealing picture



Abdul: "inspiring" new dance steps in her dreams

### A sensation's sleepy inspiration

Choreographer Paula Abdul says that she does some of her best work while asleep. The 30-year-old former Los Angeles Lakers cheerleader added that she sometimes "inspires" new dance steps in her dreams. Still, she had to work hard for her success. But her efforts have been worthwhile. Abdul has become a pop sensation with her recently released debut album, *Renaissance Girl*, and she is choreographing the 1990 Academy Awards show, to be broadcast on March 26. "It takes a lot of determination," she said. Not to mention a few sweet dreams.

### REVELLING IN NIGHTMARES

Best-selling horror novelist Clive Barker frightens him more than the monsters and shows that pop into his imagination. "I am at peace with my subconscious," he added. But, as for his readers, Barker says that it is "horrific" for them to realize as fear. And to some his fans, the 37-year-old British author has both new visual and written nightmares. His movie *Nightbreed*, which he wrote and directed, and which features Canadian David Cronenberg as a psychotic psychomaniac, will be released on Feb. 16. As well, his recently published 10th novel, *The Great and Secret Show*, in which people's dreams and nightmares come to life, in an international best-seller list. Says Barker: "A confrontation with our anxieties, in the safe haven of fiction, is healthier than pretending that they don't exist."



dance follows the actors in and out of rooms. Said Sommer: "They can see if you can get red." And the actress, famous for playing a sexy model in the 1964 movie *A Shot in the Dark*, also says that she plans to do an English translation of her recently released German autobiography. It seems that Sommer is eager to bare all.



Family viewers: people meters feed an industry's obsession with numbers

## TELEVISION

# The numbers game

## A new technology shakes up the TV ratings

The book-end was sitting on top of the television set could easily be overlooked, except for its glowing red and green lights. They signal the arrival in Canada of a push-button device that records the TV viewing of each individual in the home. But since it was introduced to U.S. homes more than two years ago, the so-called people meter has caused a mild revolution in the TV industry. The device is the high-tech successor to the weekly written diary system that formed the core of the industry's ratings before the *I Love Lucy* era. And it has yielded some surprising findings: In 1987, when North America's most powerful ratings firm, the Chicago-based A.C. Nielsen Co., recently introduced people meters in the United States, the new technology showed that the prime-time audience for some major U.S. network programs were substantially lower than previously thought. Now, nearly half a year after their introduction in Canada, people meters are confirming that, while overall

viewership is larger than the diaries indicated, channel-hopping by remote control is also more widespread. And that poses even challenges for program producers.

Broadcasters along with advertising executives and their clients, still have reservations about the system's accuracy. And the stakes are high for broadcasters, a decline in ratings can translate into a smaller slice of the advertising pie, which amounts to \$31 billion annually in the United States and \$1.3 billion in Canada. Still, people meters have at least exposed flaws in the diary system, which requires that participating families record their TV watching as a logbook. Said Keith McKenrick, president of the Institute of Canadian Advertising: "There has always been a knowledge that the diary is not a perfect medium for research. For many years, we covered something that would be more accurate than people's memories."

In particular, the people meters, which automatically keep track of viewers' channel

changes, have revealed that viewers switch from program to program—a behavior popularly known as "zapping"—far more frequently than the diaries ever indicated. And viewers are more likely to zap in and out of some kinds of programs, such as sports and news.

Said Peter Kerts, general manager of marketing and sales at CBC-TV: "Actually, people zap more when people are watching news programming—but they're watching for shorter periods of time." Meanwhile, even more sophisticated electronic ratings technology is under development, including a meter that can tell whether a viewer's eyes are focused on the TV (page 62). But for now, the A.C. Nielsen Co. of Canada Ltd. mails out 40,000 diaries twice a year across the country to gauge regional markets, and measures the viewing behavior of meters in 1,500 homes for nationally broadcast shows. The U.S. device has 4,000 meters in operation. The Canadian-based unit, now Bureau of Measurement, is planning to introduce a competitive network of 4,000 meters within the next two years.

Ratings households are chosen with the aid of national census and other data to reflect the country's demographic makeup. Families receive a single \$36 payment for agreeing to share their viewing preferences with Nielsen, and for about three years, compared with the weekly periods for diary keepers. The data that the ratings companies collect allow them to estimate two key things: a show's audience (the number of people who say it) and its share (the percentage of the total number of viewers who were watching television at the time).

The diaries require participants to keep a written record of their TV watching. With the meters, each viewer is individually assigned a code number on a hand-held remote control when he or she starts watching TV. When viewers leave the room, they must push in their individual control again to signal that they are no longer watching. In the middle of each night, the meter automatically transmits the day's data over the household telephone line to a computer at Nielsen's Canadian headquarters in Markham, Ont., near Toronto. Speed is one of the new system's great advantages. Under the diary method, a great service: these weeks to collect and process the data for the week of interest. Still, Nielsen can transmit people-meter data as soon as the program is to air to clients within 36 hours of a show's airing.

But so far, Nielsen uses the meters only to keep track of so-called network program-

ming—shows that air to all parts of Canada. But that programming attracts just 20 per cent of advertising spending; the other 80 per cent goes to local programming, which Nielsen will measure with diaries. That limitation reflects the fact that local advertisers prefer to aim at specific markets. And in response, Nielsen officials say that, by the end of 1991, they plan to begin switching over to people meters for regional ratings as well.

While ratings are extremely important to broadcasters and advertisers, they alone do not determine the prices that sponsors pay for TV commercial time. Another significant factor is the level of competition among advertisers seeking TV spots—which fluctuates from month to month. Rates for a particular time slot may increase in the spring or fall—or suddenly buy advertising months for both broadcasting and print—even if the ratings for that time slot drop. Ann Reber, senior vice-president and national media director of Toronto-based McMillan Advertising, stressed that simple "supply and demand" is a key factor in determining ad rates.

People meters have become a natural part of the ratings industry, that when Nielsen introduced the device to U.S. homes in 1987, American networks fought them bitterly. For years, NBC and CBS just had been losing ground in the ratings war to other television options—including pay TV, local stations and video cassette tapes—and test data suggested that the new technology would erode its even greater stream of their audience. But, in the end, the networks' desire for ratings information proved stronger than their anxiety towards the meters, and they signed on. Inside early results indicated a prime-time ratings drop of approximately 10 per cent for each of the U.S. networks. And by January, 1988, network executives claimed that they had lost 10 per cent of their audience. Nielsen's data showed that the networks lost 150 million in advertising revenue as a result of what they described as errors in the people-meter system. But by the end of the

1987-1988 season, the ratings drop for each network proved to be only a few percentage points.

In Canada, the transition to people meters has been comparatively smooth. In fact, the new system is generally finding better success than the diaries indicated, sometimes by

## NIELSEN'S TOP 10

For the week of Dec. 18-24 (the latest available statistics)

- 1 *The Only Show (CBC)*
- 2 *A Different World (CTV)*
- 3 *Roseanne, 9:00 p.m. (CTV)*
- 4 *Hockey Night in Canada (CBC)*
- 5 *Matlock (CTV)*
- 6 *Unsolved Mysteries (CTV)*
- 7 *Murphy Brown (CTV)*
- 8 *Roseanne, 9:30 p.m. (CTV)*
- 9 *National News (CBC)*
- 10 *Designing Women (CBC)*

*\*On Dec. 18, CTV moved from 10th place to 9th.*

a dramatic margin. A comparison between the diary method for prime-time viewing in September, 1986, and the corresponding record number for 1988 indicated a jump of 31 per cent for men and a decline of one per cent for women. But CTV and CTV report indicated increases in late-night and other non-prime-time periods.

However, not all of the news has been positive. Under the diary system, people who watched only part of a show often showed that they had watched all of it even though the diary

is broken into quarter-hour segments. But the people meters claim to see which channel is on every 2.7 seconds. As a result, they show that, on certain nights, the audience for *The Jewel*—a 30-minute game show—has more than 30 per cent smaller than previously thought, due to the high incidence of zapping.

In the meantime, IBM, a corporate industry cooperative—and longtime collaborator with Nielsen on a proposed people-meter system—has invested more than \$3 million in a new Canadian-designed meter. IBM says meters Canadian viewing habits with the diary system in various markets. But, with its own meters in place across Canada by 1992, it expects to be able to provide valuable data on 20 million households. Some industry executives say that IBM's solution remains a distant goal. Said Katherine Butler, manager of research at CTV: "There is no other country in the world that has two national audience services. If the United States can't afford it, how will Canada?" But others, including Bill Ryan Advertising's Butler, predict that IBM may succeed largely because advertisers' demand for rapid market figures is so high.

At the moment, the people meter remains a sword, but by far from perfect. Perhaps its most widely is the lack of control. Declared Ted Chasen, vice-president and general manager of media services for A.C. Nielsen of Canada: "I don't think we can say with any great feeling of certainty that everyone presses the button every time they leave the room." Still, electronic counting obviously makes the diary obsolete, and general managers of media services for A.C. Nielsen of Canada: "I don't think we can say with any great feeling of certainty that everyone presses the button every time they leave the room." For now, people meters have become the industry's best resource in its absence with watching TV viewers.

FAMULA TOWING

## A CLOSER WATCH ON THE AUDIENCE

It sounds like an Orwellian prognosis, as network executives claim that they are people and viewers who are using a remote to turn their television sets—or letting their eyes wander. But to the U.S. market research firm A.C. Nielsen Co., the anti-epicurean prospect seems as the passive people meter could be a major step.

The second version of the new equipment, from Nielsen's point of view, would be its accuracy in measuring network ratings. Current methods of determining ratings, including the people meter now in use, can be inaccurate because they depend on viewers to be honest. Instead, the new device will time their start—and stop—watching TV. But by being silent and sleep a consent, accurate checks on not only who is in the

room, but also who is actually watching the screen at any moment, the new system would provide much more accurate information to a hungry advertising industry. Said Nielsen executive vice-president John Darling: "It is research accuracy—the responsibility wouldn't be to do anything."

The passive system would also offer a direct advantage to advertising executives and their clients. Because of its constant vigilance, it would be able to measure the viewing of specific commercials as well as programs. As a result, media executives and agencies would quickly know who was paying attention to their advertising, and that would help them to assess the effectiveness of particular campaigns.

Nielsen officials say that it will be at least five years before a passive system that they are developing is on the air. In the meantime, said Research Center in Princeton, N.J., is ready to move out of the lab and into North American homes. If perfected, the meters will

be able to make an electronic portrait of each family member as a potential household. When the television is on, the meter will constantly scan the room for faces. If it recognizes and make a record of when those viewers are actually watching. At the end of each day, the meter will tally up who leaves the room. Researchers are now working on reducing the size of the hardware and refining the equipment's sensing abilities, particularly in low-light viewing situations.

Still, not all of the existing problems with the passive system have been solved away in the lab. "The biggest hurdle will be getting people who are willing to have it in their homes," said Ted Chasen, vice-president and general manager of media services for A.C. Nielsen Co. of Canada Ltd. "A lot of people think it smacks of Big Brotherism."

P.E.

# Shakespearean folly

A witty dramatist cleverly rewrites the Bard

GOODNIGHT DESDEMOMA  
(GOOD MORNING JULY)  
By Anne Marie MacDonald  
Directed by Raylene Roberts

few established theatres would try to rewrite Shakespeare. But it is a measure of Toronto actor Ann-Marie MacDonald's daring that she took up the challenge for her first full venture as a dramatist. Her satirical drama, *Goodnight Desdemona (Good Morning Juliet)*, premiered in 1988 as a production by Toronto's Nightwood Theatre, a small company devoted to women's theatre. Its playful reworking of *Othello* and *Romeo and Juliet* was so highly regarded—it won critical acclaim and a Playwright's Choice Award—that it is now on a cross-country tour of smaller off-theater companies speaking in new voices. The show opened on Jan. 16 at Ottawa's Great Canadian Theatre Company, where it will run until Jan. 27, before moving to Vancouver's Folio and Vancouver, and then returning to Toronto. MacDonald, 31, is well-known as an actress. A *Gene-wild* actress for her supporting role as an actress in the Canadian movie *I've Heard the Mermaids Singing*, she has also appeared as a television TV drama and theatre production. But she may make her biggest contribution as a writer: *Goodnight Desdemona* brims with confidence and contrasting wit.



Raylene Roberts, Lynnche Darling

MacDonald's heroine is a self-effacing university student, Constance Lombardy (Kate Lynch), who catches an unrequited love for her fellow student, Paul Charles Nighe (Derek Bayou). When Claude leaves with another woman to take an *Offshore* teaching post that

had been promised to Constance, she desperately throws her life's work—a thesis on *Romeo and Juliet* and *Othello*—into the water basket. But then, miraculously, she is sucked into the basket after a—well, her husband in the world of *Othello* (Bayou) and his beloved Desdemona (Anne Farrow).

Constance's thesis is that the tragedy of Shakespeare's two plays depends on the finest act of circumlocution. She saves posterity's idea to work by changing the course of events and saving Desdemona from being smothered by her jealous husband. She discovers that Desdemona is not the passive heroine whose Shakespeare portrays, but a fiery warrior who likes nothing better than a good conflict. They become friends, although when Desdemona learns to respect her act of having so much with *Othello*, Constance disappears as a timely plot of escape—to find herself as the Venetian of *Romeo and Juliet*. Once again, Constance—disguised as a nun—steals off the play's tragic climax, while growing close to Juliet (Devorah Cooper), a 14-year-old heroine with a romantic passion for suicide.

Both *Juliet* and *Desdemona* represent repressed aspects of Constance. As she works out a relationship with them, she discovers her own secret sexuality. By the end of the play, she has become her most confident and womanly. Yet Constance assumes two-dimensional in working out her heroine's life in symbolic terms. MacDonald scarcely touches the emotional depths of her transformation.

The play's main strength remains its comedy. The confident one handles MacDonald's parody-Shakespearean verse with Italianate dexterity. When Romeo and Juliet have a falling-out, they announce that their affection have "in the confusion of one hot swift night" all curled in evening play at the "end." In MacDonald's hands, regarding the Bard can be as funny as it is outrageous.

JOHN REMBOUR

Jehovah, that finally—after a somewhat tedious first act—sets the main action rolling.

One day, after they arrive here, Calix drives from Eden the story of the nation he founded as his historical. Volodich's quiet, meticulous description of the action, in which his brother has his, creates the sense of a national past. Calix, much moved by his tale, tells this Eden that he loves him. But the Salvadorian responds bitterly that she loves only his story. The shared, unacknowledged psychology of the two men is one of the weaknesses of MacDonald's work, in which political issues rarely cloud the complexities of individuals. The Toronto-based writer's subtle, often funny and ultimately moving plot stands as an elegant statement of tyranny—yet a timely lesson on the value of freedom.

J.R.

## BOOKS

# The meaning of life

Umberto Eco's new tome tackles almost everything

FOUCAULT'S PENDULUM  
by Umberto Eco  
Translated by William Weaver  
(Warner Books, \$22.95)  
641 pages, \$29.95

He is an academic engaged in an obscure discipline—semiotics, the study of the signs that people use to communicate. And Italian scholar Umberto Eco's first novel, *The Name of the Rose* (1980), was a complex and lengthy medieval mystery tale written with unadorned Latin phrases and endless theological discussions. Yet the book hit over one million copies in 18 languages, was read in a popular novel and named the University of Bologna professor with a pop icon. Eco's second, even longer novel is as erudite as his first—but it includes untranslatable Italian phrases. But it, too, is winning a spot as best-seller here. Focault's Pendulum is a sparkling investigation of the human quest for knowledge and certainty, the search for, in Eco's words, "what the unlearned religions have been unable to reveal." Full of wit and learning, the novel is also simply mad, its medieval storybook backdrop with postmodern twists as well as modern characters. But, despite its flow and wacky themes, it is a very funny—in an academic way.

The main plot, which takes several hundred pages to begin reaching forward, revolves around three bored scholars who work for a Milan publishing house. One day, they learn of a secret to publish, for the first time, previously rejected authors who are desperate to reveal to the world the secret truths about everything from the life of Christ to the death of Adams. As a result, the editors are overwhelmed by a tidal wave of allegedly false theories.

But the real reason the editors begin to feel the national aid to computer in order to create what they call the "Plex"—a grand synthesis of all known secret theories that will explain absolutely everything. They adopt two basic principles derived from their source material: first, that ideas are old and new and second, that the future is a life of imagination ("true theories are not just inventions"), and, above all, that "the Templars have something to do with everything." The latter premise is based on the belief, common to many of the manuscripts, that the Knights Templars, a medieval military order disbanded in 1312, still exist as a powerful secret society ("A legend is easily recognized," remarks one of the editors, Jacopo Bello. "Boomer or later, he brings up the Templars.")

Eco, who once claimed to have borrowed every sentence of *The Name of the Rose* as used to construct the most amazing elements in the Plex. Among the clues previously published in perfect sentences by other theorists, published by Eco that the surface of the earth is actually inside a giant sphere, that 5,900



Eco hilariously blurs theories

years lie deep below the ground in cases that can be reached through the waters of Parma, that Christ, far from dying on the cross, married Mary Magdalene and fled to the Riviera, where he founded the Royal House of France.

The price of the editors' fun eventually becomes high. Despite ordering one another that they are attempting—no discovering—the secret of the Templars, the editors slowly slip into believing in their creation. As well, those whom the editors call the "Dialecticals"—the medieval heretics who have been sending their manuscripts—discover some details of the Plex and resist all themselves into it. Bello is captured by a group of Dialecticals, who call themselves the "Templars Return." They plot to extract his secrets by whatever means

might prove necessary. "The prisoner has knowledge none of us has," declares one. "He knows even who we are, and, yes, we learned who we are through him."

The Dialecticals are, in fact, patently funny—their joy at discovering that their existence is apparently patently in solid reality. As a semiotician, Eco's very understanding of those who spend their lives seeking esoteric knowledge is predictable. But it is his evident sympathy for his mad characters that makes the novel above parody. The editors' growing obsession with the Plex, and their painful roads back to their senses, are finely portrayed. The unfortunate Bello ends up hanging from a pulpit designed for 19th-century French physicist Jean Foucault to prove the rotation of the Earth—Eco's symbol of the academic approach to the universe's secrets. By contrast, Jacopo's belief in his argument about themselves whether they would prefer information or human sympathy. Shortly before his death, Bello finally understands his own obsession with the Plex. It shows us a Plex, the editor declares, there, there as a guilty party responsible for all the world's evils, and humans are not accountable. And if the Plex eludes his editors, then "when religious faith is provided," Bello means "You avoid the Plex."

Bello's last line is light in *Focault's Pendulum*, but his message is heavy. By the end of his extensive excursion through what he calls "all the world's follies," it seems fitting that the rational are the ones to suffer, while wacky religion triumphs.

DEAN KETTING

## MAGNAN'S BEST-SELLER LIST

### FICITION

1. *Salmon Gundy With Wings*, Rodin (1)
2. *Reverend's Penitence*, Rodin (2)
3. *Spicy Love*, Dugan (3)
4. *Wicked*, Dugan (4)
5. *After Women's Blues*, Jeng
6. *According to Jake and the Kid*, Rodin (4)
7. *Goodman*, McKinnon (5)
8. *The Dark Hall*, Jay (5)
9. *The Invisible*, Dugan (6)
10. *The Secret Heart*, Rodin

### NONFICTION

1. *A Wonderful Life*, Gail (2)
2. *Home Games*, Dugan and MacGregor (1)
3. *Inventing the Nation*, Smith (4)
4. *Let's Play, Let's Love* (5)
5. *Deeds on the Earth*, Lomax (2)
6. *Magnum 2000*, Rodin and Rodin
7. *Loveless of Anson*, Wilson
8. *Others Inside Out*, Conner (3)
9. *The Depressed*, Ford
10. *After the Revolution*, Dugan (6)

11. *From last week*  
Compiled by Bruce Roberts

## FLY FROM TYRANNY

AMERICA'S BLACK GUTIER  
By John MacDonald  
Directed by David Finn

In her budding new play, *America's Black Gutier*, John MacDonald launches new life into the old-world idea of Canadian political drama. While most dramatists in the country have shied away from tackling political issues, MacDonald went to the aid of a Salvadoran refugee in Canada to expose the broader social aspects of his tragic situation. *America's Black Gutier* focuses on a Canadian family. But the new drama, currently staged at Toronto's Tarragon Theatre, uses its family's sponsorship of Elias,

ingeniously played by Guillermo Verduzco, to create a window on the larger world of international issues. His arrival at their house—and his story—what he and his friends have endured at the hands of El Salvador's right-wing government—results then in a political and human statement on ethnicity in the swirling of nations at the front door.

Elias's search for security and a dignified, close-to-home future leads by Owen (David Ford), a divorced former Vietnam draft dodger who has become a fisherman in the British Columbia coast. Owen's ancestry dropped out. Snyder (Christopher Sherry), co-director of the play, readily believes he hopes that it will bring more meaning to his own chaotic life. But this quickly becomes the theme and self-paying Canada, getting along much better with Owen's simple motto, "Martha (Theresa) Situation, is a warning performance, which is striking from the United States. But it is Elias who with Owen's geology-graduate daughter, Celia (Cecile



# Some free advice for the Liberals

BY ALLAN FOTHERINGHAM

With the gray nigger hovering ever more closely, one does not like to admit it was almost a quarter-century ago when Pierre and his rose first appeared on the scene. When the Liberals, who ruled forever, gathered to select a new leader in 1968, party delegates were presented with a remarkable array of candidates, with not a dud in the caucus. Any one of the men named Trudeau, Warren, Turner, Karmali, Hellyer, MacEachern, Meier or Greene would have made an acceptable prime minister, some better and some worse, but none would have disgraced the office. In 1969, there was no such heavy list, reflecting the obvious decline in the party. It doesn't threaten both prime beef anymore.

**JEAN CHRESTEN:** The Black Pin of Canadian politics. Impossible to dislike, unless you are in fever of death. A man bred on the farm, an organization and money. Has been writing 20 years for the *Star* and *Can* trade it. His 58-year-old face ("the driver of the grumpy car") is not aging well, and the glasses now add to the image of a man who has been around a long time. The bug? His insatiable the insatiable lust of becoming the number 1 populist in the land while never having come forward with a new idea. His mentors and backers—Mitchell Sharp, Paul Desmarès, Power Corp.—are not easily shaken. What has it been that has made them like him? His French isn't much better than his English. This doesn't play well in Quebec, which likes impressive, working figures (Duplessis, Taschereau). Will get the nod unless some new face comes in.

**INEL MARTIN:** Thoroughly decent man who voted too long to get into politics. Like them, Mulroney, wanted to start at the top of the grand old man of the party, who sought the leadership three times, against St. Laurent, against Pearson, against Trudeau. But he would like to settle the family score. A millionaire from Canada's St. Lawrence, he beat the Halls types, but politics is a cruel short-term test. He overbooked with help from Turner, who did not appreciate



the credentials of the new owner. Born in Montreal but now more convinced most of Canada he wishes to re-enter Washington. Now showing signs of terminal and speech coaches, but too late. He's 51.

**SHERIL COOPER:** Will live up to the campaign, as she does not say any word, but has no chance of winning. Attempting to clean up her act, but still can't shake the image of a foreign terrorist. Hardcore working woman of all Good French, good Italian. Warren isn't her husband, but even with, by second marriage marriage at a tender 37. Tries to delight to see her, regard her as their taking time back weapons.

**CLIFFORD LINCOLN:** If chosen, could become the only Canadian prime minister born in Minnesota. Respectably eloquent in either language. Would add a lot of class to the campaign if he were the Charming byproduct in Quebec

and gains a Commons vote. No real chance. In 61, which is 60 too much.

**DAVID MILLER:** The fastest boy his opponent is a young man, 40-something, always lively, but when they analyze details (their talent) not everyone is amazed. Former Trudeau aide, determined to be what Turner was in 1968: the candidate for the future. Pierre will have lots of fun with him.

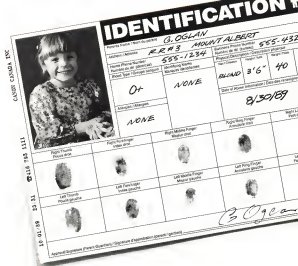
**JOHN JOHNSON:** Only candidate, along with Chrétien, who was in the last election. Represents law firm body Trudeau against the March Lake land matter. Most interesting even in any private gathering, he suffers the Robert Stuebel disease: cannot translate his personality in the public. Twice as smart as Chrétien, with half his charisma. Chrétien, as Northern Prime says, is a Greek word for hero. In 63.

**JOHN PORTER:** For some tangible reason, the otherwise-intelligent, charming Canadian ambassador to the United Nations refuses to accept the guidance from this corner that he can have the nomination on a platter if only he would communicate the wisdom from the column that, in this time space, invented both B. Mulroney and P. Martin. The word he put out is that he will never run as long as B. Mulroney, a personal friend and the man who approached him to the Manitoba post, remains at the job. Gullible never got exposed anywhere in politics (see R. Stuebel), as we may indeed have to rule this gentleman out—though he could not if easily.

**FRANK MCNEIL:** With Porter especially, not the Liberals must turn to another new face to stand a chance against the superior Conservative politician and financing machine. Cyle Wells of Newfoundland, the most formidable presence on the scene, as too new and without French. New Brunswick's McNeils, bright and energetic, is promoter of the only province that is officially bilingual. He is the man the Greens must go to.

The Liberals, shaken to the core, loose-run risk of Turner are now in the position state that so characterized the Conservatives for decades. Books, no organization, no leadership and no philosophy. Tires to lead about of them as competitors find energy and political techniques. What is what politics is all about these treacherous days.

They accepted my endorsement of Trudeau in 1968. They surely have been impressed with the scenario here, at this spot, of Mulroney. The Martin idea is not, by the by, the better. Even so, still believe. Still they have lost their way. This column will not persevere. It is all proffered with no charge.



A Canon Fax with UHQ has an incredible 64 shades of grey. The power of its clarity is right here in black and white.

**UHQ**

With the advanced technology of Canon's Ultra High Quality image processing system, fax communications have taken a huge step forward.

Drop readable text, subtle halftone and an amazing delicacy of fine detail are now possible. And our special Edge Enhancement feature eliminates the "fuzzy" look previously associated with facsimiles.

The essence of a facsimile is to communicate. Put the power of Canon's advanced technology to work for you and say what you mean, clearly. For more information call toll free 1 800 387 1240.

**Canon FAX**

There is only one choice.





This is the first piece of gum Elwood McKeever has chewed since March 24, 1967.

That's the day Elwood got dentures and gum started sticking. But now Elwood's heard about Freedent gum. It tastes better than ever, and it won't stick. If you can't remember the last time you chewed gum, try Freedent.

Tastes better than ever.



The gum that won't stick.